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2 Big Parties In Germany Warming to **A** Coalition

Socialists' Wish List Might Find Support From Conservatives

> By John Vinocur International Herald Tribune

BONN — Highly possible to probable: On the scale of political likelihood, a Grand Coalition government coming out of Germany's elections in September is now regarded here as a reality with more current momentum than any other potential outcome.

Influential members of both the Social Democrat (SPD) and Christian Democrat (CDU) parties have said so privately over the last few days. They agree that the SPD's Gerhard Schroeder would be chancellor in a government made up of the country's two hig parties, and they believe that most of their voters would feel comfortable with rather than betrayed by a decision to meld two seemingly opposing political orienta-tions into a single German voice.

But apart from sensing the emergence of the idea, they cannot say with any measure of certainty just what a Grand Coalition would mean for Germany, its allies, and Europe.

On one hand, a Grand Coalition could smother the expectation of change carried by the elections, while slowing the process of government through the prospect of political posturing and exhausting com-promise. Public debate within the mainstream could dampen to a self-conscious whisper, and a vast, open stage be provided for the forces of Germany's extremes. In the most general sense, Germans hardly regard broad coalitions as an optimal democratic solution for tough problems well short of emergency status.

In a more favorable analysis, Mr. Schroeder, campaigning as the candidate of the New Middle, could find in a coalition with the CDU the support he would need to make the changes in labor and social legislation he says Germany must have to break free of double-digit unemployment, and to become a pole of innovation and new investment. In the eyes of the rest of the world, a Grand Coalition government in Germany could be more reliable and predictable than one left to depending on the votes of the Greens, and their anti-business, anti-NATO, anti-establishment instincts.

But because there is a precedent for it — both big parties participated in government from 1966 to 1969 — the Grand Coalition idea has the allure here of reasonableness, if no politician run-

See GERMANY, Page 10



Afghan Earthquake Toll Is Now Feared to Be 5,000

Afghans carrying a girl injured in an earthquake to a UN helicopter on Tuesday. Copters shipped in tons of building supplies, trying to aid villages ripped apart by the earthquake Saturday that killed as many as 5,000 people in the northern part of the country. The quake triggered landslides that split mountains and swallowed villages.

In Kashmir, the Shooting Never Stops

India and Pakistan Skirmish Over Villages

By Molly Moore and Kamran Khan Washington Post Service

CHOKOTHI, Pakistan — Abdul Ghafoor and his science pupils know the routine all too well: When the shooting starts on the hilltop above their high school, a teacher blows the warning whistle, and everyone instantly hits the

Further down the mountain, tailors and food vendors sprint to shutter their shops and, in a matter of seconds, the one-street village of Chokothi is a ghost

"We get so scared we cannot sleep at night," said Ghulam Rassul, a Pakistani shopkeeper who sometimes can spot the Indian troops on the green hillside above the town. "You can't believe the shooting. Life has become miserable."

Chokothi's main street dead ends a few hundred meters from the "line of control," the barbed-wire and searchlight barricade that marks the disputed border between Pakistan and India in the former princely state of Kashmir.

Today, in the aftermath of a series of

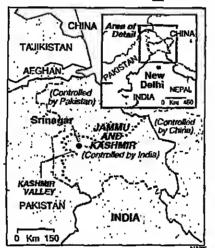
nuclear explosions by the bitter rivals,

who have already fought two wars over this border, there is no place on earth with greater potential for triggering a nuclear holocaust. It was here, to this 360-kilometer (225-mile) stretch of mountain terrain where tens of thousands of Pakistani

and Indian troops face off in daily barrages of artillery fire, that Pakistan's top military leaders rushed in the days following India's explosions of its first nuclear tests in 24 years Border tensions were so high that the hot-line between military generals in

India and Pakistan - established for communications during potential crisis situations --- were suspended, Pakistani sources said.

On May 25, after two days of consultations with commanders at Chokothi and other outposts, the head of Pakistan's army, General Jehangir



Karamat, met in an urgent session with Prime Minister Nawaz Sharif at the Pakistani leader's residence.

He told Mr. Sharif that if Pakistan did not respond quickly with a nuclear explosion of its own, that he believed India

See KASHMIR, Page 10

Yeltsin Asks Help **On Sick Economy**

He Meets With Russia's Mighty As Ruble's Fall Imperils Reform

By David Hoffman Washington Post Service

MOSCOW - Buffeted by financial storms. President Boris Yeltsin summoned Russia's leading business tycoons to the Kremlin on Tuesday, appealing to them to settle their quarrels and help him stave off further deterioration in the stock and bond markets.

"Our meetings are rare, only when things become too had," he said. "The economy starts to crack and a flight of

foreign investors begins."

It was Mr. Yeltsin's first meeting in months with the group of financial magnates, some of whom bankrolled his reelection campaign two years ago. The Kremlin said later that the busi-

ness executives, including the top financial, industrial and energy barons in the country, had agreed to work together to calm the uncertainty and chaos of recent days.

No concrete measures were announced. But such a pledge of unity is rare given the internecine battle among the group of tycoons that has raged since a hitter privatization contest over a tele-

phone company last autumn.

"Everybody is interested in getting out of this situation with minimum losses," said Mr. Yeltsin's spokesman, Sergei Yastrzhembsky.

In the last two and a half weeks, the

Russian stock market has nosedived, and the government raised short-term interest rates to 150 percent in an effort to keep capital from fleeing.

Mr. Yeltsin and his new prime minister, Sergei Kiriyenko, have vowed to resist a ruble devaluation.

Russia has also been shaken by reverberations from the Asian financial crisis and a liquidity squeeze in the major domestic banks.

The main Russian Trading System

stabilized Tuesday, closing 12 percent higher, at 192.75, but the market has fallen sharply from last year's peak of Mr. Yeltsin, wagging his finger at the

financiers and insisting that they "pay attention," implored them not to pull their money out of the Russian mar-"When national investors are not in-

vesting their money, the foreign ones leave," Mr. Yeltsin admonished them. "If you want foreign investors to invest. you should invest your own money as well. It turns out that foreign investors know the situation better and are not investing their money. Should you invest? This is a question to think about.

In fact, however, most of the Russian

tycoons are heavily invested in husinesses here. "All their money is in Russia," said Vladimir Gusinsky, a media and entertainment mogul.

Anatoli Chubais, head of the electricity monopoly, United Energy Systems, said the husiness executives had agreed to set aside their recent feuds.

The group — while united behind Mr. Yeltsin in 1996 — broke into warring camps last year over the telephone deal. The magnates control most of Russia's major media outlets as well as financial and industrial empires.

There are all kinds of grudges, some mutual suspicions, and now when the situation is really highly complex, the most important thing that was achieved at this meeting was an accord to put off disagreements," Mr. Chubais said.

See RUSSIA, Page 7

Airline Strike In France Set For a 3d Day

PARIS - Air France warned travelers they faced another difficult day Wednesday, saying a pilots' strike would force it to cancel most of its ights for the third consecutive day.

Pilots and the airline's management resumed talks Tuesday as Transport Minister Jean-Claude Gayssot urged the pilots not to hold France and the World Cup soccer tournament hostage.

Air France officials said the airline on Vednesday would cancel 83 percent of its long-distance flights and 70 percent of its medium- and short-range flights from Roissy-Charles de Gaulle Airport, and 67 percent of its flights from Orly Airpon. A comparable number of flights were grounded at the Paris airports Tuesday.

Other airlines flying in and out of France have been unaffected, and some added flights to try to take up the

But ground personnel at Terminal 1 at Charles de Ganlle airport added to the turmoil when baggage-handlers and the staff in charge of air-conditioning walked off the joh in protests over pay

See STRIKE, Page 10

Habibie, Saying T'm Here,' **Vows to Serve Out Century**

By Seth Mydans New York Times Service

JAKARTA - Presenting himself as the reformer Indonesians have been calling for, President B. J. Habibie laid out an intricate election timetable Tuesday that he said would keep him in office at least through the end of the century, despite widespread calls for a quick handover over power.
Also defying the national mood, he

called on Indonesians to look to the future rather than to the past and not to engage in "Wild West" justice by try-ing to seize the wealth of his predecessor and mentor, Subarto.

In his first newspaper interview since taking office after Mr. Suharto's sudden resignation two weeks ago, Mr. Habibie spoke enthusiastically about his hopes to lead the country out of its political and economic crisis, but he still seemed amazed to be president.

Gesturing across his broad desk and clapping his hands in seeming astonishment, he said, "You know, I was always sitting on that side. The president was always here. Now I am

At one point he had to be reminded by an aide not to refer to Mr. Suharto as the president. "You are the president," the

Mr. Habibie, who for 20 years was Mr. Suharto's minister of research and technology, has little administrative ex-

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perience and little base of power, and had never been seen — even by Mr. Suharto — as a potential president.

Most Indonesians view him as a tran-

sitional figure, and powerful forces are pressing him to step out of the way for a new government. But Mr. Habibie said there was no quick and constitutional way to transfer power. He also refused to rule out the possibility that he would run for election to a new term.

Mr. Habibie spoke with a mixture of deep affection and veiled criticism for the man he said he had known since childhood and considered to be one of his best friends, hut who now appeared to have turned his back on him. Mr. Suharto, he said, had not spoken to him since he became president.

See HABIBIE, Page 10



reporters Tuesday after he said 18 troops, including a lieutenant colonel, would be court-martialed in the May 12 shooting deaths of six students during protests that helped lead to the fall of President Suharto.

The Jakarta military police chief, Colonel Hendardj, being mobbed by

Ex-Beijing Official Speaks His Mind

An '89 Scapegoat, He Says an Undemocratic China Could Pose Danger

By Steven Mufson and John Pomfret Washington Post Service

BEIJING — Four days after the po-lice told him that his political rights had been restored, a senior Chinese Communist Party official imprisoned since 1989 for political reasons fired a broadside at the party Tuesday for failing to undertake significant political reform.

In an exclusive interview, Bao Tong, who was arrested May 28, 1989 - just days before soldiers and tanks crushed student-led protests in Tiananmen Square - warned that an increasingly powerful and undemocratic China could be a danger to the rest of Asia. He challenged Communist Party of-

ficials to prove their commitment to the rule of law by letting him speak his mind after spending seven years in prison and two more under restrictions.

"My goal is to be a very good Chinese

citizen, a Chinese citizen with the right to speak his mind," said Mr. Bao, 65, who was chief of staff, speech writer and senior political adviser for Zhao Ziyang, who was onsted as prime minister after the Tiananmen crackdown.

"I am ready to take my ideas and speak out about them," he said. "Free

Chinese now dream of a home of their own. Page 4.

speech is a very important contribution to building China, and I believe my freedom of speech will be protected by law and by the government."

Mr. Bao, who was made a scapegoat for the 1989 upheaval that threatened the control of the Communist Party. said: "I want to test their promises. So if I meet any problems, it shows their promises are fake."

But io a note of realism about the

government security surveillance and the cantious pace of political change in China, Mr. Bao said: "I hope that my telephone works for a while. I hope that my family has no problems. I hope that I don't have an accident.'

Though less well known internationally than such recently released prisoners as the 1989 student leader Wang Dan or the veteran dissident Wei Jingsheng, Mr. Bao has much more influence within China, and especially within the top ranks of the ruling Communist Party.

Mr. Bao was a member of the party's powerful organization department in the 1950s and 60s, jailed and sent to the countryside during the Cultural Revo-lution, then returned to the core of people around the senior leader Deng Xiaoping in 1977, when China's economic reform period began. He later became a member of the Central Committee of the Com-

See CHINA, Page 10

Milosevic Starts Sweep **To Crush Kosovo Rebels**

By Chris Hedges New York Times Service

BELGRADE - President Slobodan Milosevic of Yugoslavia has started a sweeping campaign to wipe out a separatist rebel movement in the Serbian province in Kosovo, according to senior North Atlantic Treaty Organization of-ficials and Western diplomats.

The campaign involves several thousand heavily armed special police of-ficers and soldiers backed by artillery batteries. It has escalated swiftly over the last few days and seems set to extinguish the faint hope of a negotiated settlement between Serbs and Kosovo's ethnic Albanian population.

If the conflict spilled across the border, as many now fear, it could draw the region into a war. Neighboring Albania

is sympathetic to the separatist struggle in Kosovo, as is a restive ethnic Al-

banian minority in Macedonia. General Wesley Clark, the American who is supreme commander of NATO forces in Europe, in an interview at NATO headquarters in Belgium on Fri-

Albania warns Milosevic. Page 7.

day, said, "NATO is watching the evolving situation in Kosovo with increasing concern as the conflict there has intensified."

He added: "There are increasing reports of the use of artillery and heavy weapons hy the Serbs. We have heard reports of these weapons being used

See KOSOVO, Page 7

AGENDA

Army Assault Kills Algiers Rebel Chief

Tuesday @ 4 P.M.	previous close
1.7805	1.7784
1.6384	1.6412
138.695	139.65
. 5,97	5.9645
The Dow	
Tuesday close	previous close
8891.24	8822.37
S&P 500	
Tuesday @ 4 P.M.	previous close
1093.03	1090.98
	Page 6.
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	1,7805 1,6384 138,695 5,97 The Dow Tuesday close 8891,24 \$&P 500 Tuesday @ 4 P.M. 1093,03

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The IHT on-line

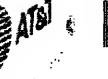
KAZAKHSTAN

ALGIERS (AFP) - Algerian security services said Tuesday that the leader of the Armed Islamic Movement in Algiers, Mohammed Kebaili, had been killed in an army operation in the capital's suburbs.

Mr. Kebaili, known as Ayachi, was killed along with two other men and a woman in his organization when special army units stormed an apartment in an Algiers suburb Tuesday, an official statement said. It said two children with the group had been killed, as had a member of the security services that had surrounded the building before the army assault.

The security forces said Mr. Kebaili had been implicated in the massacre of 400 villagers last year.

The Algerian press reported re-cently that Mr. Kebaili had been appointed the movement's head for Algiers to replace Hocine Flicha, who oined a splinter group that has condemned atrocities against civilians.





PAGE TWO

By Larry Rohter New York Times Service

asked about the warreo of sbops, warehouses and banks just off

the Caribbean entrance to the Panama

Canal. In recent books, the spy novelist John Le Carre has portrayed the 1.5-

square-mile walled compound as a

steamy, seedy oest of intrigue where, for the right price and with the right

cootacts, just about anything goes.

That much is not fiction. The 4-

square-kilometer free-trade zooe here

is the largest in the world outside Hong

Kong, selling more than \$6.2 billioo in

goods each year to customers from all

over Latin America and the Carib-

But name a dubious commercial ac-

tivity of interest to U.S. law-enforce-

ment or intelligeoce agencies, and

chances are someone bas been caught

doing it in Colon. The laundering of

drug money, the smuggling of arms to

guerrilla and paramilitary groups in South and Central America, the sale of

goods to Cuba in defiance of the U.S.

economic embargo, the counterfeiting of trademarks — all have traditionally been part of the local landscape, per-

haps reaching a peak during the cor-rupt military dictatorship of General

But now, as it prepares to celebrate

its 50th anniversary, the Colon Free Zone is trying

to clean up its act. With competing duty-free centers

popping up all over the Western Hemisphere, it is

scrambling to hold on to the husiness that for

decades it all but owned. Huge new ports bave been built, rail lines upgraded, fees lowered and in-efficiencies anacked. And, to make sure the world

takes the image change seriously, it has launched one of the harshest crackdowns on money laun-

dering in the hemisphere.
"We want to position ourselves for the 21st

century as a huge distribution and transshipment

center to all of Latin America," said Nessim Bas-

san, vice president of Fila Sportwear Corp. and a former president of the Colon Free Zone Users'

Established in June 1948, the Colon Free Zone

has enjoyed a virtual monopoly on free trade in

Latin America for most of its existence because

governments almost everywhere else imposed high

tariffs on foreign goods to protect inefficient do-

For smugglers, this protectionism created a mar-

ket of 450 million people stretching from Tijuana just south of the U.S. border to Tierra del Fuego at

South America's southernmost tip. Merchanis from Colombia, Peru, Ecuador, Haiti. Jamaica, the Dominican Republic and other nearby countries

flocked here, knowing they could always find the

electronic appliances, car parts, clothing, liquor,

perfume and jewelry their customers wanted hul

about 60 percent of the goods sold from here.

But in the global economy of the 1990s, many of

the old protectionist barriers have fallen, a process

that is expected to accelerate as a result of the April

summit meeting of hemispheric heads of state in

Spurred by the North American Free Trade

Agreement and other regional pacts, countries

throughout Latin America are racing to open their

SIAN manufacturers were especially

quick to pour their goods into the free-zone pipeline: today, Hong Kong, Japan,

South Korea and Taiwan account for

could not obtain legally at home.

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mestic industries.

OLON, Panama — "A den of pirates," a U.S. govern-ment official snorted when

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| Japan | \(\text{0031128609} \)
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| Portugal | \(\text{050112632} \)
| Spain | \(\text{900931807} \)
| Thai | \(\text{001800118216613} \)

will be prosecuted under Deomark's Equal Opportunities Law for demanding that its air hostesses wear makeup. The Equal Status Council

COPENHAGEN - The

Danish airline Maersk Air

found that the airline exercised "gender discrimina-tion." The case will be heard

at the end of the mooth.

Air Hostesses See

Rouge Over Makeup

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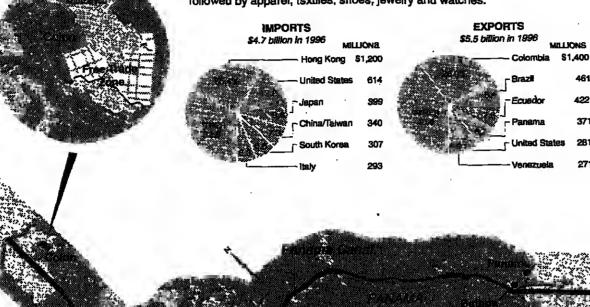
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New World of Competition / Crackdown on Dubious Trade

Panama's Free Zone 'Pirates' Clean Up Act

The Psnamanian Free Trads Zone in Colon is the second largest in the world after Hong Kong. Electronics dominate the goods that move through the zona, followed by apparel, textiles, shoes, jewelry and watches.



markets, and rival free-trade zones have emerged to challenge Colon's hegemony at sites as far-flung as Miami, Manaus in Brazil, Iquique in Chile and Ciudad del Este, Paraguay.

"They are going to have to reinvent them-selves," said Victoria Figge, the Free Zone's gov-ernment-appointed chief administrator from 1994 to 1997 and now the head of the Panamanian government's money-laundering monitoring unit. The rules of the game worldwide are totally differeot now, and they have to adjust themselves to these new conditions and better exploit our privileged geographic position at the mouth of the

"OT everybody thinks they are up to the task. Richard Wainio, the just-retired director of planning for the Panama Canal Commission, the U.S. government body charged with administering the waterway until its handover to Panama on Dec. 31, 1999, predicts that

Coloo's role will shrink as world trade expands. "I'm one of the doomsayers," Mr. Wainio said. The zone is a huge operation, and it's not going to disappear. But the future lies in container transshipment, not warehousing. As barriers come down and you have a free flow of goods, you don't need that kind of operatioo conducted, legally or no, out

of the zone. Traders here, though, say they are adjusting to the oew realities, and they point to a 15.6 percept increase in husiness last year as proof. Even with the regional hoom in free trade, they argue, it is both quicker and cheaper for merchants in nearby countries to rely on Colon as a distribotion point than to deal directly with manufacturers in Asia or the United States.

'We are a huge warehouse," with up to \$1.5 hillion in goods on hand at any time, said Nidal Waked, president of the users' association, which represents the zone's more than 1,200 businesses. We have everything here. If you want to put together a container with a thousand different products, you can do it bere, and we can get it to you

figure in brackets:

in almost no time. Foreign manufacturers also have reason to retain

Sweden 572 (904) and Britain 3,772 (5,554).

injury from accidents as of June 1.

them on its routes worldwide.

El Al Lifting Its Liability Ceilings

Athens to Stress Airport Safety

Japan Eases Indonesia Warning

TRAVEL UPDATE

the Colon connection rather than to export directly to Latin American buyers, merchants here said. "We know what the Colombian, the Venezuelan, the Chilean likes because we have people who travel there every two weeks to visit clients," said Mr. Waked, whose family business, Vida Panama, sells refrigerators, washing machines, stoves and microwave ovens. "I suppose that the big brands could do that, but they would have to start from zero, and wby do that when we are here and have 50 years

of experience?" In recent years, the zone's growth was slowed hy high fees, inefficiency, corruption and theft at the nearby port of Cristobal. But those problems have been attacked by buge investments in projects to speed up the shipment of goods across the isthmus. A pair of giant container terminals recently opened, two more are nearing completion and a railroad line across the isthmus is being renovated.

All these measures have ended Cristobal's mono-

poly and slasbed freight costs in half. At the same time, Panamanian authorities have taken drastic action to make Coloo less attractive to the drug cartels from Colombia and Mexico that have laundered billions of dollars here over the

INCE 1996, businesses here have been required to declare all transactions that exceed \$10,000, for instance, and can no looger accept tradicional forms of payment like mooey orders, travelers checks, third-party transfers or checks drawn on Mexican banks.

Those rules, which on paper are even tougher than those in the United States, have oot been especially popular among traders, who argue that they are losing business to other free zones, Miami in particular. In any case, many of them have never acquired the habit of asking questions of their

"Where the money comes from, I can't say," said Marcos Almed Meza, a salesman for Nemo Traders, a small merchant bouse that sells clothing and electronic appliances. "If a customer has made a declaration, then it's

not my problem.'

Annan Weighs Report On Massacres in Congo

By John M. Goshko

Vashington Post Service UNITED NATIONS, New York -Having been forced to withdraw the United Nacons team investigating massacres in Congo, Secretary-General Koft Annan is weighing whether to make public a scathing report by the team that is certain to make worse the world body's already tense relations with Laurent Kabila, the Congolese president.

UN officials say the report implicates Congolese forces and the Rwandan military in massacres of large oumbers of Hntu refugees from Rwanda, including women and children, during the sevenmonth guerrilla campaign that brought Mr. Kabila to power. Some officials said the report uses the word "gen-ocide" to describe the killings.

Officials here are said to be divided over whether to issue the report in its current form. Some UN officials, arguing for a long-run interest in political stability in Central Africa, advocate toning down or even suppressing the report as part of efforts to gain greater in-

fineoce over Mr. Kabila. On April 17, Mr. Annan ended the eight-month effort to probe reports that Mr. Kabila's guerrilla forces and their allies from the Tutsi-dominated army of neighboring Rwanda murdered thousands of Hutu refugees from Rwanda during the rebellioo last year that toppled the former Zaire's longtime dictator, President Mobutu Sese Seko.

Rwanda has a long history of animosity between Tutsis and Hutus, and the killings in Congo allegedly were part of a Tuisi retaliation for the 1994 Hutu genocide campaign that killed more than 500,000 Rwandan Tutsis.

Mr. Annan recalled the investigating team after the Kabila government's harassment of UN personnel bad made it impossible to complete a thorough in-

quiry.
UN officials said much of the report that resulted from the aborted mission was based oo hearsay and secondhand information. Nevertheless, the officials said the report was couched in highly emotional language, and some said it described the treatment of Hums in Coogo as "genocide."

Mr. Annan will seek the advice of aides before he decides what to do with the report in the next few days.

UN officials said the internal discussions had revealed strong differences between human-rights advocates like Mary Robinson, the UN high commissioner for human rights, who believe the report should be giveo full, uncensored exposure, and those who believe that such a course would antagonize Mr. Kabila without having any practical beoefits.

The advocates of toning down the report are reportedly motivated by the idea that Coogo, the largest and most is essential to the region's political stahility. Thus, they argue, the United Nations has strong reasons for trying to coax Mr. Kabila, already bostile to the world body and most outside powers. toward democracy and seeking the outside aid and investment occessary to rebuild Congo's shaoered economy.

■ Kabila Purges Cabinet

Mr. Kabila appointed 15 oew government ministers Tuesday after purging his inner circle of five cabiner members and placing them under arrest The Associated Press reported from Kinshasa, Congo.

Rocky Mount

POLITICA

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The cabinet was expanded from 27 in 37 ministers and included two new senior ministers of state, Pierre Victor Mpoy and Deo Granas Bugera, Mr. Kabila said in a statement.

No explanation was given for the appointments. The new ministers were to be sworn into office in a private ceremony Tuesday.

Blast Kills 2, Hurts Dozens In Iran Court

TEHRAN — An explosion Tuesday killed two people and in-jured others at an Islamic revo-lucionary court in Tehran, the franian state television reported.

In an explosion at the Tehran Islamic revolutionary court, two people were martyred and two people were injured, it said. adding that the cause of the blast was being investigated. Others said dozens had been in-

jured and taken to hospitals. Analysts said the use of the word 'martyred'' suggested the explostoo was caused by a deliberate act but there was oo confirmation.

The broadcast said the blast which occurred at the reception area at the court, also caused damage to the three-story building in north Tehran and smashed win-

It showed piles of rubble. sbattered computers and office equipment.

'I saw tens of amhulances carrying 60 to 70 people," ooe witness

Revolutionary courts were set up after Iran's 1979 Islamic revolution to deal with political and other crimes according to laws based on the Muslim legal code.

There have been a few mostly. minor bombings in Iran during the past few years, which Tehran has hlamed oo exiled rebels.

Murdoch Visit Assailed

Conservative members of Iran's Parliament have summoned the foreign minister for questioning about a visit by Ropert Murdoch, the media mogul, whom they deoounced as a "pillar of Zionism,"
Reuters reported Tuesday.

The daily Jomhuri Eslami said Foreign Minister Kamal Kharazi should also explain recent visits by two Americans who are known as analysis of Middle East affairs.

The move was the latest in a. series of disputes between conservatives and supporters of President Mohammed Khatami, who has called for increased cultural and scientific exchanges with the United States.

WEATHER



49/109 25/79 s 43/109 25/77 a 22/71 16/61 s 22/71 16/61 s 22/71 16/61 s 23/73 16/61 s 24/75 10/60 s 23/73 11/62 s 24/75 10/60 s 24/73 a 24/70 s 26/79 s 40/104 26/79 s

TOKYO (Reuters) — Japan downgraded a warning to its citizens on travel to Indonesia, clearing the way for families of employees of Japanese companies involved there to return to

Forecast for Thursday through Saturday, as provided by AccuWeather. Europe

North America

Sunny, but cool in the Some sun quite warm and Northeast Thursday, humid in Rome Thursday in Beijing Thursday and through Saturday. Cool in the Midwest Thursday and Amstardam with partial through Saturday. Showers Saturday. Showers and Amstardam with partial through Saturday, showers and Amstardam with partial through Saturday, showers sunshine through the perinkely by the weekend. Some sun, not and humid Friday in Moscow, then along the Guil Coast perhaps a thundershower Saturday.

Saturday Saturday in Thursday and thundershower Saturday are drying out Saturday. Been perhaps a staturday and Amstardam with partial thundershower Saturday.

Saturday secondary in Beijing Thursday and thundershower Saturday.

Rein possible in Tokyo Thursday in Moscow, then will continue to seek southeach day Sunny, not and dry into Friday, then milder Saturday.

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Away From Politics • Defying predict carnage, ite.

formia's road 3.671 people : years, statement. factor in the case corresponding deaths attribute • The American Hear-

has declared risk" factor to a list that :-blood pressure

Solution to Puzzic of Iune ?

Blast Kills

Hurts Dog

In Iran Con

THE AMERICAS Rocky Mountain Low: Colorado Schools Begin Going by the P.C. Book Rv Tom Kenworthy head west on Interstate 70 with their skis and hikes strapped to the roofs of their cars. Mark peported it to her teacher. One thing led to another and before long Shanon was expelled intellegated in the profession of their cars. Mark peported it to her teacher. One thing led to another and before long Shanon was expelled intellegated in the district's reproduced in the district's reported in the period of their heritagraduation gowns were deathed in the district's reported in the period of their heritagraduation gowns were deathed in the district's reported in the period of the per

People here rarely get anywhere on time, for example. Go to the theater and half the seats are empty two minutes before show time. School events always start a few minutes late.

Nobody dresses up, either. One can buy a \$4,000 mountain hike on almost any street corner, hut fancy clothing stores are pretty

Folks are also a lot less obsessive about work than on the East Coast. The weekend starts about noon Friday as people stream out of Denver and

people get up earlier on weekends than during

So it has been a little disturbing for people here to see the recent outbreak of uptightness in Colorado schools.

It began in February, when a 10-year-old, fifth-grade honor student from Longmoot, Shanon Coslett, was expelled from school after she inadvertently took her mother's lunch to school. The lunch had a small paring knife in it that her

Then, this spring, a girls' relay learn from Ranum High School was disqualified from com-peting in the state finals because one of the four runners had a white sports bra while the three others had black sports bras.

This violated a rule requiring uniform uni-

This month, it has become an epidemic. A school principal in the posh Cherry Creek school district was placed on leave because he allowed some junior high students sips of wine at

ent said he was reconsidering.

In Glenwood Springs, 11-year-old Samantha Bruno, who is being schooled at home, was denied permission to attend a dance at Glenwood Middle School. The principal, Jim Phillips, said dances were open only to students who have never had disciplinary problems, and since Samantha was being schooled at home he had no way to assess whether she met that standard.

school students who wanted to wear a bit of kente cloth - an African fabric used by black Amer-. icans to boast of their heritage - over their graduation gowns were denied permission by the. school. Two of them took the issue to federalcourt, but lost there as well when Judge Richard' Matsch — who presided over the Oklahoma City. bomhing trials of Timothy McVeigh and Terry Nichols — sided with the school district.

All of this seemed a bit much to the Denver Post, which last week editorialized against. "political correctness carried to the point of eposterous perfection."

Instead of "slavish adherence to rules," the paper suggested, officials should exercise some; And in the Denver suburb of Arvada, four high

Fund-Raising Champion of Congress

Firms Fill the Coffers of D'Amato, the Senate Banking Chairman

By Clifford J. Levy New York Times Service

NEW YORK -- The amendment was hrief, so it attracted scant notice when Senator Alfonse D'Amaio helped tuck it into a bill he was shepherding through the Senate as chairman of the banking committee. But the provision, which weakened a consumer protection statule governing mortgages, was decidedly

important to one company. Mr. D'Amato agreed to support the

Ex-Official to Lead

WASHINGTON - Kenneth Starr,

the independent counsel, has chosen

the Justice Department's former in-

witness, received payments from con-

Michael Shaheen, who retired this

from the FBI and the Justice Depart-

ment, said the officials, who requested anonymity because it was not their

To ensure independence, Mr. Shaheen will report not to Mr. Starr or

the department, but to a panel of re-

of payments turns up, it could damage

the credibility of Mr. Starr's inves-

tigation, which makes it hard for the

prosecutor to coodnet the review him-

The allegations of payments were

made by an Arkansas woman and her

son, who say that Mr. Hale received

money and other benefits from con-

operating with prosecutors.

Mr. Hale has denied receiving any

Senators Stall Bill

On Bias by Police

Away From

Politics

WASHINGTON — A veteran law-maker calls the infraction DWB: driv-

ing while hlack. And earlier this year,

• Defying predictions that higher speed limits would mean more

carnage, the number of deaths on Cali-

fornia's roads dropped in 1997 to

3,671 people, the lowest level in 38

years, state officials reported. A major factor in the steady decline was the

corresponding falloff in highway

deaths attributed to drinking and driv-

(LAT)

• The American Heart Association • Philadelphia residents were with-

has declared obesity to be a "major out public transportation as transit

risk factor in heart attacks, adding it workers began a strike after going to a list that includes smoking, high more than two months without a con-hlood pressure, high cholesterol and a tract. (AP)

44 "Get your hands

45 A wink or a nod,

Kranepool and

47 Pre-exercise

50 Spare, e.g.

54 "Scram!

sz Bobbing objec

ss Trap setters

57 Steal a novel?

es "---- Camera

62 Land of the

such money.

Legal scholars say that if evidence

decision to make or announce.

servative activists, according to de-

partment officials.

Inquiry Into Hale

POLITICAL NOTES

ternal watchdog to investigate alle-gations that David Hale, a Whitewater racial and ethnic statistics on traffic

year, is expected to use a staff drawn Caucus who had shepherded the mea-

the Senate.

stops appears huried.

torists by the police.

provision in late 1995 after lobbying hy MBNA Corp., one of the higgest U.S. issuers of credit cards. The company is also one of the New York senator's higgest benefactors, having channeled more than \$500,000 in recent years to campaign committees that he leads.

Throughout his career, Mr. D'Amato, whose hearings two years ago began the torrent of revelations about Nazi gold accepted by neutral European countries during World War II, has been a tireless fund-raiser, a politician who works the

most members of the Honse sent a clear signal of concern about discrim-

But the hill that sailed through the

Because of the protest efforts of

police organizations, the hid to get the

Representative John Conyers Jr., Democrat of Michigan, a leading

member of the Congressional Black

sure through the House, admitted he was surprised by its passage.

Approval came after Republicans amended it to make clear that data

acquired in the study could not be used

to establish "an inference of discrim-

ination" in future lawsuits arising

from contested stops of black mo-

Now, Mr. Conyers's proposal ap-

Leading the effort to derail the bill

as been the National Association of

Other law enforcement groups have

Former President Gerald Ford urg-

ing the Republican Party to rein in its

"extreme right" before the next presidential election: "We should oot per-

mit one element to dictate policies

within our party; if we do, the extreme

right will doom our party to election

sedentary lifestyle. Before the an-

nouncement in New York, the as-

sociation had been listing obesity as a

"contributing risk" factor for heart

Prostate cancer deaths appear to

be declining because of a blood test

that detects the disease early. Studies

released at the annual meeting of the

American Urological Association in

San Diego show the benefits of a test

to detect elevated levels of prostate-

specific antigen, or PSA, which can be

an early signal of the cancer. (AP)

Police Organizations, represeoting

joined in the attack, including the Na-

Quote/Unquote

pears consigned to the graveyard of

the Senate Indiciary Committee.

lower chamber has run into trouble in

inatory traffic stops by the police.

phones with a barker's gusto. But since taking over the chairmanship of the banking panel in 1995, he has made his previous fund-raising seem almost pedestrian, harvesting millions of dollars from individuals and companies in the financial industry that, like MBNA, have a stake in legislation that as chair-

man he can control with a pen stroke.

The money not only has filled Mr.
D'Amato's Senate campaign account,
but also has enriched the New York Republican State Committee, strengthening the senator's formidable political network and reinforcing his status as the state's dominant Republican.

There is nothing unusual or illegal about members of Congress reeling in contributions from interests they oversee. Bnt Mr. D'Amato has far exceeded the fund-raising of any other senator through his positions as chairman of the banking committee, which oversees much of the financial industry, and as a member of the Senate Committee on Finance, which governs tax legislation.

In MNBA's case, he has unsuccessfully supported its efforts to revamp the consumer protectioo statute, which in most instances bars mortgage providers from paying fees to get referrals. The company says the statute hinders its expansion in the mortgage husiness. Consumer groups say lifting the ban would drive up the cost of huying a home.

But MBNA is oot the only financial

behemoth that has given beavily to Mr. D'Amato. Others — including Travelers Group; Bear, Steams & Co.; Goldman, Sachs & Co., and Beneficial Corp. have also directed the kind of large sums to his campaign committees that were once the sole province of the national parties. "That facilitated entrée to the senator," said Dave Williams, chairman of Alliance Capital Management, referring to contributions to Mr. D'Amato's committees. Alliance, a New York mooey management firm, held a 1997 fund-raiser for the senator as he was successfully sponsoring a proposal for a tax break provision the firm wanted.

Mr. D'Amato has raised more than \$17 million, far more than any other Senate candidate this year, as he tries to overcome a strong Democratic challenge and win a fourth term. The only other congressional candidate to come close is a Democrat who wants his job, Representative Charles Schumer of New York, who serves on the House banking committee and bas also benefited from Wall Street's largesse. He has raised more than \$10 million.

Mr. D'Amato faced ethics inquiries over ties to donors earlier in his career. but no serious wrongdoing was found. He has not come under official scrutiny since he became head of the hanking panel, formally called the Committee on Banking, Housing and Urban Affairs.

But some campaign finance special-ists say he has a pattern of seeking money from firms with interest in committee business. They contend that he has used the Republican State Committee to accept big donations because its accounts

are subject to little regulation.

Mr. D'Amaio declined to be interviewed. His aides said he bad become the higgest fund-raiser because donors were pleased by his stewardship of the committee and his overall record.

"Clearly, the people who contribute to Senator D'Amato support the principles of the senator, not the other way around." said Lisette McSoud Mondello, a D'Amato spokeswoman.



A U.S. flag flew amid the rubble in downtown Spencer, South Dakota, where a weekend tornado killed six.

After Tornado, a Town With Only a Past

By Jon Jeter Washington Post Service

SPENCER, South Dakota Don Meotele made his life middle-class town out in the and living here. He grew up here, married here, started a family bere, got up every day and went to work right bere in this prairie hamlet that is no

Although Mr. Mentele and his family escaped the weekend's devastating tornado unhart, the storm took everything that was familiar to trash heap. Trees are decapthem: their borne, the grain itated and strewn with opens. The grain elevators lines and left two people dead clevator where Mr. Mentele garbage, and utility poles lean were destroyed by the tor- in New York, where torworked, his children's toward one another like lean nado. schoolhouse, even the road- dancers. Trucks and cars are side diner where Mr. Mentele ate lunch.

Their town lost its post of- metal sprawl as far as the eye fice, its fire station, its library can see. and even its churches. And so while Mr. Mentele had rived in Spencer after the tor-planned only a few days ago nado struck, a city conneil to spend the rest of his life in Spencer, he now has no idea for everyone in town, Mr whether he will ever sleep another night here.

'We just don't know," Mr. Mentele said Monday, shaking his head as tractors hummed behind him, removing the wreckage and scattered ruhhle that is all that

remains of Spencer. "There's nothing left here and suhurbs, leaving behind but memories. Even if they do an older population. put everything back togeth-

Mr. Mentele's dilemma is shared by almost everyone here. The unanswered question that hovers over this community is whether Spencer, a cozy, comfortable town where the 300 residents all knew one another, will ever

If you rehuild it, will they come back? Shortly after the Clinton administration · announced Monday that Spencer is eligihle for federal disaster relief, the governor of South Dakota, William Janklow,

live again.

said the state will indeed reassemble the town from wreckage left by a furious night tornado Saturday night that killed six people, injured more than 100 and razed most buildinga. The tornado here was part of a storm system that rushed through the Midwest, killing

three people in Michigan and three in Wisconsin in addition to the South Dakota victims. But it was the deadliest part, perhaps killing a whole "I can flat tell you this town will be rebuilt," Mr.

lanklow said told reporters Monday at a news conference. But "will everyone who lives here now live here then? I don't know." Physically, Spencer was not much to begin with, just a

wide patch in the road founded in 1887. The farms here have been dying for years, and now, Spencer is largely a bedroom community for nearby Sioux Falls. The town revolves around its young hlue-collar couples, their children and their aging parents living in modest clap- town and I bope that people there's no 'here' anymore. stay," said Johnny Howard, board bonses and trailer

51, a resident of Spencer for "This is just a small, lower nearly half his life. . "But you've got a lot of seniors and prairie," Mr. Janklow said. they're just too old to start all Spencer lies on a two-lane over again. And then you've state highway that winds got young people who are going to relocate to where the through sprawling, untouched prairie, glistening opportunities and jobs are streams and soaring hluffs rather than stick around here where cows graze.

When rescue workers ar-

member managed to account

Janklow said. That brand of

familiarity is largely what

gives Spencer its charm. But it also fosters a sense of mor-

tality. Small towns here and

across the Midwest have been

dying for years as the young

pick up and move for good jobs and a future in the cities

for the town to come back." The community of trailer Mr. Mentele says that parks and modest buogalows oow resembles a colossal

whole life was here, but areas of the state.

■ Clean-up in Northeast

Residents in New York, New Jersey and across the Northeast began the arduous and often bearthreaking task Mooday of cleaning up from tornadoes and fierce thunderstorms that cut a destructive path through the region. The New York Times reported.

From early Suoday mornwhether he stays depends ing to early Monday morning, largely on whether his em- storms flattened houses, ployer, Spencer Grain, re- felled trees, downed power "If I don't have a job here, winds topping 200 miles an upturned like toys, and piles then I guess we'll have to go hour (320 kilometers an hour) of splinters and torn sheets of elsewhere," he said. "Our devastated several northern

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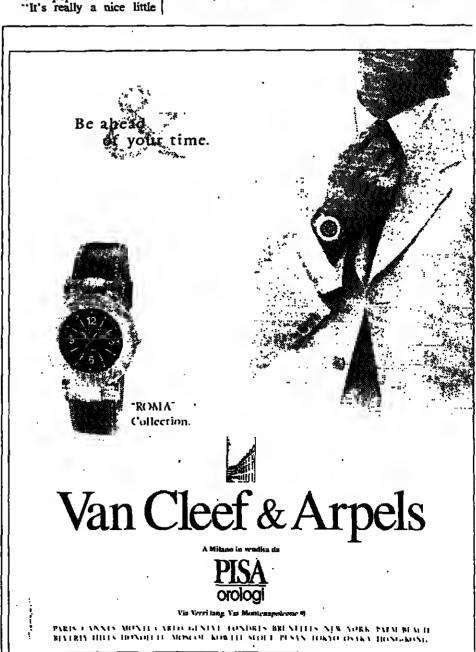
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ASIA/PACIFIC

The Chinese Dream: Home, Sweet Home

Economic Reforms Focus on Ownership

By Steveo Mufson Washington Post Service

BEUING - Tang Zongkuo is one of China's happy homeowners. Two years ago, he dipped into his life savings and plunked down the equivalent of \$4,225 to buy his Beijing apartmeot.

All around him, neighbors have up their kitchens, including one fam-ily that has completely remodeled the stove, cabinets and wall tiles.

here," Mr. Tang said. That is what China's leadership hopes. One of the cornerstones of this year's ecocomic reform program is a plan to encourage Chinese families to buy homes and apartments.

The Chinese government has proclaimed that free housing, once coosidered a right under the Communist system, is in fact an unaffordable welfare benefit. On July 1, the allocation of virtually free housing by work units will cease and 200 million to 300 million urban Chinese homes or face years of rapid rent increases

Although it reverses the long-standing policy of controlling people's lives through housing sop-plied by state-owned work units, private home ownership is oow being promoted as a panacea that will take housing costs off the books of ailing state eoterprises, increase and color televisions. labor mobility, spur the growth of a service industry of plumbers, carpenters, decorators, brokers and financiers and introduce a relatively more stable form of leading husioess to the frail banking system.

China today is housing reform, says Yukoo Huang, chief represeo-tative of the World Bank in China "It triggers reform in almost every sector of the ecocomy."

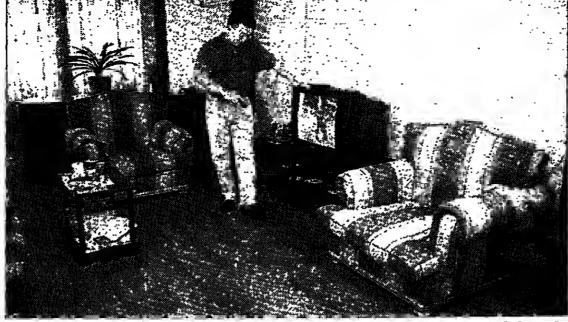
A surprising number of Chinese have already purchased their homes. In Beijing, 420,000 state-owoed apartments, or 20 percent of the total, were sold to individuals by the been doing the same thing and sud- end of last year, according to the denly the building is looking a bit state-run press agency, Xinhua. In spiffier. One oeighbor has installed a parquet floor. Another has put in a new bathroom. Several have fixed up their kitchens, including one famble of the new housing is being the state-run press agency. Xinhua. In Shanghai, more than half of the new housing is being

bought hy families.
"In the 1950s and 1960s, the There could be a great market American dream was to own a private house and private car," said Meng Xiaosu, president of the China National Real Estate Development Group. "Now the Chinese have the Chinese dream."

Mr. Meng, a Communist Party member and a former member of the bourgeoisie-bashing Red Guards during the Cultural Revolution of 1966-76, hails private home ownership as the 'fourth wave' of private consumptioo in China.

In the early 1980s, he said, just after economic reforms began, the families will either have to boy their first wave of coosumption started with clocks, hicycles and sewing machines. In the late 1980s, the second wave hit as people bought black and white televisions, semiautomatic washing machines and tiny refrigerators. In the early 1990s, according to Mr. Meng, came the third wave with sales of automated washing machines, air condidooers

How can people afford to huy houses in a country where they earn only a few hundred dollars a year? China has one of the world's highest household savings rates and employers have been ordered to give 'The most important issue in their workers deep discouots de-



Zhang Fan showing off the big-screen television in the apartment he owns in a suburb of Beijing.

have worked and the length of time they have lived in their homes.

Mr. Tang, for example, a retired archer at the Chinese Academy of Social Science, and his schoolteacher wife had 76 years of work experience between them and were able to buy their apartment at an approximately 70 percent discount. He feels it was owed to him. "We

worked our whole lives for this house," he says. "We paid for this all our lives hecaose our salaries were so low.'

"The discount is a form of com-Meog, whose company is a stateowned one that sells on behalf of state-owned work units. "What we're doing is giving people the money we should have been giving them all along. It's no loss to me. All those years we gave those people very low salaries."

goodness of its heart. In an economy where the demand for consumer

pending on the oumber of years they where there is a commercial real payments on their own, officials estate glut and where exports and foreign investment are squeezed hy the Asian economic crisis, China wants to breathe life into the housing market to give the economy a boost.

A senior government economist said that the government also views banks, where more than 20 percent of the loan portfolios are nooper-

"In the past, the banking system has provided a lot of capital to facpensation to employees," said Mr. tories for production purposes," the economist said. Now much of that mooey cannot be repaid. "Banks should issue more loans to coosumers," he said. "The risk is much lower than with enterprises."

Mortgages have been issued on

an experimental basis in several cit-But the government is not selling the last two years only one family houses and apartments out of the out of several thousand defaulted on the last two years only one family a loan. In the case of that looe degoods cannot keep pace with supply, and his survivors could not meet the op

"A lot of people worried that it would be very difficult to control so many small loans," the government official said. "Now more people in the banking system are coovinced.

Zhu Xiaohua is one of them. Mr. private housing mortgages, virtually Zhu, the chairman of China Evernonexisteot now, as a way to im- hright, which has a banking subprove credit quality at China's sidiary, says the company will start doing more mortgage leoding. With inflatioo at zero, interest rates at 11 perceot for a 15-year fixed-rate mortgage and real estate prices de-pressed, Mr. Zhu says the business

is appealing. In the rush to buy, some developers are eveo selling apartments before they are built.

Beijing Vantoce Industrial Co. is huilding a \$110 million development, a model of which sits in the lobby of its headquarters. The comies, including Suzhon, where over pany plans to pave over some fish ponds close to the Summer Palace and huild four tennis courts, a fountain and several apartment buildfault, a man had died in an accident ings. Customers are already lining

BRIEFLY

Clinton Aide Meets With Jiang

BEIJING - Samuel Berger, the U.S. national security adviser, met with President Jiang Zemin of China on Tuesday for talks about a meeting with President Bill

Clinton this month, the Xinhua news agency said.
Mr. Clinton is expected to be in China from June 25 to July 3 in the first visit by an American president since the Chinese Army slaughtered unarmed pro-democracy democracy democracy onstrators around Tiananmen Square in Beijing in June

Mr. Berger, who arrived in Beijing on Monday, also met with Foreign Minister Tang Jiaxuan and Deputy Prime Minister Qian Qichen oo Tuesday, according to the Xinhua report.

3 Buses Bombed in Tokyo

TOKYO — A pre-dawn explosioo Tuesday at a bus depot destroyed three buses, incloding two used for shuttling passengers to Tokyo's main international airport. No injuries were reported.

Arsushi Henmi of the Chiba prefectural police said the explosion had occurred just outside Tokyo in the bus depot at the Matsudo office of Keisei Electric Railway's motor vehicle department.

The police say they suspect anti-airport radicals may have been involved in the explosion.

(AP)

A Mugging Spree in Bangkok

BANGKOK — Robbery gangs wielding motorcycle helmets as clubs have killed ar least one person and injured scores in a mugging spree across Bangkok. The police said Tuesday that they had broken up two gangs that use helmets, a ubiquitous accessory in a grid-locked city where motorcycles are widely used.

(AP)

Taiwan Expects U.S. Weapons

TAIPEI - The United States will allow the sale of advanced night navigation and targeting equipment to Taiwan to enhance the capabilities of U.S.-built F-16 fighters, the local press reported Tuesday.

Taiwan's official Central News Agency said the U.S. Defense Department was prepared to approve the sale of 28 Pathfinder-Sharpshooter infrared devices, along with training and support, for \$160 million.

Taiwan's Defense Ministry would oot confirm the sale, bot a spokesman said the military 'looked forward.' to soch purchases.

China has pressed the United States oot to sell Taiwan

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1,02 SCSP: 1,35 BELGIOUE on FBA - TVA 21% GO: 20,83 FOO: 9,24 SCST: 32,40 SCSP: 30,41 HOLLANDE (20102) NLGA - TVA 17,5%, GO: 1,237 FOO: 0,776 SCS7: 1,315 SCSP: 1,864

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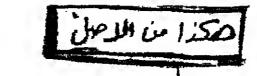
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ASIA/PACIFIC

Kashmir at the Heart of Crisis

Pakistan Hoping to Harness Global Pressure and Aim It at India

By John Kifner New York Times Service

ISLAMABAD, Pakistan — Pakistan is hoping to turn the crisis over the Asian nuclear arms race into Western, and particularly American, pressure to wrest the disputed territory of Kashmir from Indian cootrol, government officials and foreign diplomats say.

But Kashmir is an issue as symbolic, passionate and intractable to Indians and Pakistanis as Jerusalem is to Israelis and Palestinians.

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It is Kashmir - and not the dneling nuclear tests - that bas become the leitmoov of Pakistani statements in recent days as the government has mounted a campaign, sending envoys abroad and appearing on U.S. television, to turn the international furor to its advantage in the struggle for the contested mountains and valleys that have been a flash point between the two countries for the 50 years of their existence.

"America can play a leading role," Foreign Minister Goher Ayub Khan said, framing the posicoo on a Sunday talk show on CNN, hy hringing Pakistan and India to the table to solve the Kashmir dispute, from which ev-

erything is now stemming."
On Tuesday, for a third day, neither country issued any bellicose statements. a verbal cease-fire that suggested that both were trying to ease their way back from the brink.

But their different versions of calm pointed up how intractable the issues are and how difficult any solution will be.

The Indian overtures make no mention of Kashmir. Indian troops control some two-thirds of the largely Muslim province and say they are there to suppress Islamic insurrectionaries covertly backed by Pakistan. In 1994, by a unanimous vote, the Indian Parliament vowed that the natioo's goal was to extend its rule to all of what it called "Pakistan-occupied Kashmir."

Rather, an Indian communiqué oo Sunday repeated an offer of a "no-first-strike pact" between the emerging nuclear powers.

Bot for the Pakistanis, the ability to launch a ouclear weapoo is viewed as a tension in the region. vital deterreot because their military half the size of India's, with increasingly worn and obsolete equipment - would be unlikely to last more than a week in a

British Raj in 1947, the 664 princely states that had made up the British colony were to choose which new country they wanted to join. Hindu-dom- arms race has long lurked in the backinated India or Muslim Pakistan. Nearly ground of strategic concerns about East . all the population of Kashmir was Asia because of the increasingly so-

Muslim, but its maharaja was Hindu. Home Ministry, meaning not only that it

Since 1988, men fighting under lsopen secret here that Afghan mujahidin, veterans of the struggle that drove out the Russians, have been operating in Kashmir under the auspices of Pakistan's shadowy Inter-Service Intel-

Known as ISI, it operates outside the regular military chain of command and gained enormous power through the 1980s as the conduit through which hundreds of millions of dollars of American aid and weapons were channeled to the

Afghan rebels.
With the victory of the Hindu nationalist Bharatiya Janata Party in the Indian election in March, tensions have sharpeoed on both sides. The new Indian government put Kashmir under the

When fierce tribesmeo challenged his oow has the status of a regular province rule, be appealed to India, which seet in but also that it is under the adminisforces that still occupy a large part of the tracon of Home Minister L. K. Advani, a Hindu militant.

After the Indian nuclear tests on May

lamic banners have stepped up the war in Kashmir, leaving 300,000 dead. It is an jitters in the region by hlaming Pakistan jitters in the region hy hlaming Pakistan for backing the insurgents and an-nounced a "pro-active policy," which was widely interpreted as meaning hot pursuit of rebels into Pakistani territory. Another Hindu hard-liner, Tourism Minister Madan Lal Khurma, said at the same time that India was ready for a fourth war with Pakistan.

Stephen Coben, a Pakistan political and military expert at the University of Illinois, suggested that there was a deep-er conflict between the two states, a conflict that is in part an ideological or theoretical one. So even if Kashmir was resolved, there would still be conflict.

"But Kashmir is the greatest symbol," he said, "It still revolves around



CALL FOR A HALT - Clive Pearson of New Zealand, center, with delegates at a disarmament conference in Geneva on Tuesday. More than 40 nations backed a statement calling on India and Pakistan to stop testing:

East Asians Fear Rivalry for Nuclear Arms Might Drift Their Way

By Michael Richardson International Herald Tribune

KUALA LUMPUR - As the sbockwaves from South Asia's nuclear arms and missile race reverberate around the world, East Asian analysts and some officials are starting to worry aloud that the spread of noclear weapons might be contagious.

In interviews, these sources, who were taking part in a regional security conference in Kuala Lumpur, made clear their concern that if international treaties to prevent the proliferation of nnclear weapons and to ban their testing could be ignored by India and Pakistan, it might tempt other Asian countries to

This might be for reasons of national prestige or protection, especially at a time of economic difficulty and rising

Noordin Sopiee, chairman and chief executive officer of the Institute for Strategic and International Studies in Malaysia, said that the tests by India and cooventional war, some experts say.

With independence and the end of the other Asian countries to acquire ouclear arms, including North Korea, Japan, Taiwan and Indonesia.

The fear of a competitive nuclear

phisticated industrial, technological and scientific sectors of many economies in

This includes their extensive use of ouclear power for scientific research and to generate electricity — and the intractable territorial disputes and mutual suspicious that bedevil the relations of such countries as China and Japan, China and Taiwan, and North and South

Asia oow bas three declared ouclear weapon states - China, India and Pakistan. But analysts said that Japan, and possibly Tarwan and North Korea. bave the technological skills to build nnclear bombs within 12 mooths.

"Once you create the logic, it becomes logical for a lot of countries to have the bomb," Mr. Noordin said. "If yon look at the simation 10 years down the road, there could be quite a few East Asian countries with ouclear weapons or the capability to have them."

He said that such a situation need not necessarily lead to disaster, but it would make relations between countries in the regioo "much more complicated and mocb more dangerous."

Relatively weak countries that are involved in territorial disputes with much stronger nuclear powers - such as Taiwan with China, and North Korea with the United States — are seen as prime candidates to acquire nuclear

the future decide to match the ouclear clout of other big countries in the region like China and India, analysts said.

Any country in East Asia suspected of undertaking a nuclear weapons program would come under intense international pressure. The costs of continuing a nuclear weapons program could be high in terms of sanctions alone, as India and Pakistan are dis-

In some countries, such as Japan, where pacifist and anti-ouclear senoment are widespread, there would also be significant public resistance.

The United States could exert heavy leverage to prevent the spread of nuclear weapons in East Asia, especially in countries such as Japan and Taiwan which have close ties with Washington, but even in the case of North Korea which depends beavily oo U.S. goodwill for aid

Yet analysts said that it would only take one East Asian state to break ranks by going ouclear, or to be suspected of doing so, for others to come under intense pressure from influential defense establishments and vocal nationalist Johnies to do the same.

"I think North Korea and Taiwan are the major concerns," said Gerald Segal,

arms as strategic equalizers to deter attack.

Bot large East Asian nations may in

an Asia specialist at the Institute for International and Strategic Studies in London. "We know that some years ago Taiwan was well on the way to developing ouclear weapons until the

Americans got them to back off." Under an agreement reached between North Korea and the United States in 1994, Pyongyang agreed to freeze its suspected nuclear arms program. In return. Washington promised two lightwater reactors for generating electricity and 500,000 tons of fuel oil annually

until the plants are completed.

North Korea, complaining that the United States and its partners Japan and South Korea had reneged oo the deal, recently threatened to reactivate its ouclear program.

Han Sung Jon, a former South Korean foreign minister who is a professor of political science at Korea University in Scoul, said that Japan already had "all the technical and material capability it needs to build a nuclear arsenal" and it 'also has the missiles."

Some officials worry that if political or military tensions increase in East Asia as a result of the economic crisis, the temptation for more countries in the region to go ouclear will become

"The ecocomic tempest has cast East Asia adrift," Deputy Prime Minister Anwar Ibrahim of Malaysia said Moo-

day in a talk at the meeting.

He was referring to the financial turmoil that has led to a sharp economic slowdown or outright recession in many

regional economies.

Scarcely had East Asians and the international community begun to put their act together to resolve the crisis. when fellow Asians in the subcootinent are reveling in their entry into the nn-

clear race," he said.
"We must arrest this drift to violence and nuclear adventurism. We must oppose opportunistic politicians who fan the flames of jingoism, be it in the name of religioo or state.'

Other officials said that the ouclear arms and missile rivalry in Sonth Asia would undermine the effectiveness of the treaty signed by Southeast Asian beads of government in 1995 to turn the region into a ouclear-weapoo free

Thailand's foreign minister, Surin Pitsuwan, said in an interview that it was also a major blow to moves to create pan-Asian institutions for security and ecocomic cooperation by including India and Pakistan in APEC, the Asia Pacific Ecocomic Cooperation forum, and the Asean Regional Forum.

"This kind of problem is going to disorient the whole process of making the Asian regioo more secure, stable and



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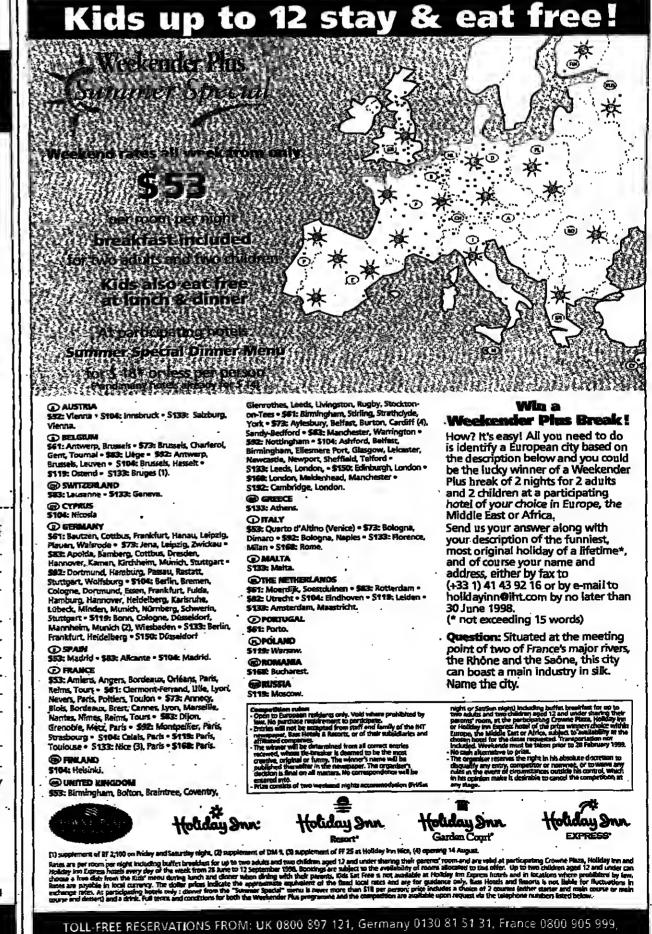
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Convicted Killer Expected To Testify Against Botha

GEORGE, South Africa - One of the apartheid state's most feared assassins appeared likely Tuesday to be heading for a courtroom showdown with its last hardline president, P.W.

Mr. Botha is on trial for refusing to appear before the Truth and Reconciliarion Commission, which is investigating apartheid-era human rights abuses. But the trial has become a probe into whether Mr. Botha's government sanc-tioned the murders of black activists.

To establish why it wants to question Mr. Botha, the Truth Commission has produced documents suggesting that the State Security Council, which the former president headed, anthorized the killings of hlack liberation fighters.

Now, the prosecution wants Eugene de Kock, a former police colooel and death squad boss, to give evidence against Mr. Botha. Mr. Botha's lawyers

oppose the move.

Mr. de Kock, whose ruthlessness earned him the nickname Prime Evil, is serving two life sentences plus 212 years on six charges of murder and 83 other convictions. By appearing at Mr. Botha's trial, he would have a chance to pin some of the killings he committed

'sacrificial lamh' for the apartheid-era as a witch-hunt against whites.

state's human rights abuses and complained that "the guilnest of all - the generals and the politicians - have got

Evidence that Mr. Botha sanctioned attacks against hlack activists mounted Tuesday, when a retired police commissioner, General Johan van der Merwe, testified at a Truth Commission

hearing in Pretoria. Mr. van der Merwe linked Mr. Botha to the 1988 bomhing of the Johanneshurg offices of the South African Council of Churches, which opposed apartheid.

Repeating testimony made earlier, Mr. van der Merwe said that a former Law and Order minister, Adriaan Vlok, told him that Mr. Botha wanted Khotso House, the building that housed the church offices, destroyed. Mr. de Kock

has admitted planting the bombs.

Mr. van der Merwe also testified that Mr. Botha's government ordered security police to commit illegal acis to fight the African National Congress, which was waging a guerrilla campaign to end apartheid.

Mr. van der Merwe's testimony came during a hearing into the 1988 death of the activist Stanza Bopape, who died under police torture.

on the former government.

In his autohiography, published this year, Mr. de Kock called himself a scribed the Truth Commission's work

Ethiopia-Eritrea Border Clashes Claim More Than 100 Casualties

ADDIS ABABA, Ethiopia - More than 100 people have been killed or wounded in border fighting between Ethiopian and Eritrean forces in northem Ethiopia, a humanitarian source said

here Tuesday. An official Ethiopian source said there had been 24 hours of "serious clashes" Sunday before the Ethiopian Army took control.

The Ethiopian source said the fighting had taken place in the regions of Aiga and Indalgeda, about 190 kilometers (110 miles) from Mekele, the capital of Tigre Province.

There are several hundred missan Arah diplomatic source said. An Ethiopian source in the region of the fighting said the Ethiopian Army had taken about 20 Eritrean troops pris-

Sporadic fighting between the two sides continued Tuesday around Al-

itena, in the northern region, Western diplomatic sources said.

The U.S. Embassy in Addis Ababa, meanwhile, withdrew Peace Corps vol-unteers in the area of the fighting, and "suggested" that Americans refrain

from traveling there.
On Monday, Ethiopian officials reported fresh incursions by Eritrean troops into Ethiopian territory in the northwest of the country, saying Ethiopian troops were being deployed along the border.

Eritrea and Ethiopia have both de-ployed troops in the area after what Addis Ababa said was an invasion hy Eritrea's armed forces May 12 in the northwest in which 16 people were

Eritrea claims that its troops have crossed no borders. Addis Ababa has insisted on the withdrawal of Eritrean forces before any talks, mediated by U.S. and Rwandan officials, take place.

BRIEFLY

Riot Police Patrol Zimbabwe Capital

HARARE, Zimbabwe - Hundreds of not policemen were dedreds of not poncemen were de-ployed Tuesday in the capital of Zimbabwe, and the main university was closed after student protests against President Robert Mugabe.

The police, armed with shot-guns, clubs and shields, parrolled the city center, where about 200 students broke shop windows Mon-

About 10,000 students were sent home after the University of Zimhahwe was closed.

The bome affairs minister, Dumiso Dabengwa, asserted that student protesters had received funding from unnamed opposition forces with a hidden agenda.

"We already know who is sponsoring and who is supplying them, he said on state radio.

On Monday, student leaders sent a petition to Mr. Mugabe calling for establishment of a commission to investigate graft allegations against his administration and for an increase in grants.

Court Bars 3d Term For Argentine Chief

BUENOS AIRES - Argentina's top electoral court has ruled that President Carlos Saul Menem is banned by the constitution from seeking a third straight term in

"The nation's president is not allowed to seek a third mandate," the National Electoral Court said Monday. Supporters of Mr. Menem had sought an interpretation of the

10 Killed in Mexico Fighting Forest Fire

MEXICO CITY - Ten Mexican troops who had been battling forest fires died Monday in a helicopter crash in Tamaulipas state, the Defense Ministry said.

The worst drought in decades and El Niño, the weather pattern, have fanned fires set to clear land in virgin rain forest.
The deaths Monday brought to

more than 60 the number of people killed fighting fires that have scorched 380,000 hectares this year in Mexico.

BOOKS

A FATAL FRIENDSHIP Alexander Hamilton

and Aaron Burr By Arnold A. Rogow, 351 pages, \$27.50. Hill and Wang.

Reviewed by Richard Bernstein

N the history of the United States from the Revolutionary War to the early republic, few figures have been treated as harshly as Aaron Burr. In 1807, Burr, the New York lawyer and former vice president, was put on trial land found not guilty) of plotting to sell the western half of the American continent to Bri-

But, of course, the major hlack mark against Burr was that he killed Alexander Hamilton, a Founding Father and major American hero, in a sordid duel in 1804, when Hamilton was not yet 50.

In "A Fatal Friendship, hy Arnold A. Rogow, a political scientist who has taught at Stanford University and the City University of New York, Burr comes in for better treatment than most writers have given him. Hamilton, on the other hand, is depicted as a man of pathological and selfdestructive hatred who virtually forced Burr, after years of slander and innuendo, to

The New York Times
This list is based on reports from more
than 2,000 bookstores throughout the
United States. Weeks on the list are not

FICTION

1 "N" IS FOR NOOSE, by

by Mary Higgins Clark.... 3 A WIDOW FOR ONE

YEAR. by John Irving....

MESSAGE IN A BOTTLE.
by Nicholas Sparks....

S BLACK AND ALUE. by

8 SECRET PREY, by John

Sandford...... 9 CTTIES OF THE PLAIN.

by Cormac McCarthy

10 MEMORS OF A GESHA.

by Anthur Golden

11 A PATCHWORK PLANET.

Robert Stone 14 PANDORA, by Arme Rice 15 THE TARGET, by Catherine

1 TUESDAYS WITH
MURRIE by Misch Albom.
2 WE ARE OUR MOTHERS'
DAUGHTERS. by Coke

NONFICTION WITH

BEST SELLERS

challenge him to a duel. carefully researched and reer while contrasting it psy- image of himself. Both men soberly argued, is not exactly an exoneration of Burr or an indictment of Hamilton, but it does certainly come to a revisionist conclusion: that

been let off too easily. Rogow's account of the Burr-Hamilton relationship is in this sense refreshingly iconoclastic. Why then does his version of the amazing relationship between these two historical figures never

take on narrative power?
One reason is that Rogow's close attention to a good deal drafter of the Constitution and of rather dry detail often slows his story to a snail's pace. At the same time, his overelaborate, knotted, almost clinical prose style does not help.

Rogow pays far more attention to Hamilton than to Burr. In part, this seems a result of the simple fact that far more material is available on Hamilton than on Burr. But Rogow's purpose is also to demonstrate the considerable flaws in Hamilton's character that, he believes. impelled him toward his fatal meeting with Burr on a field in New Jersey.

And so a major portion of

3 STILL ME by Christopher

ANGELA'S ASHES. by
Frank McCourt.
THE MILLIONAIRE
NEXT DOOR, by Thomas
J. Stanley and William O.
Danko.
THE MAN WHO LISTENS
TO HORSES. by Morty
Roberts.

THE PERFECT STORM.

Lucion Seward et al. THE 9 STEPS TO FINANCIAL FREEDOM.

SIMPLE AZUNOANCE. by Sarah Ban Zreatmach

Rogow's book recapitulates lieves that Hamilton saw Burr chologically with Burr's im portant hut quieter and less York lawyers and were prone astoriishing one.

got him important early patrons, left for America in 1772 Burr has been condemned too on the eve of the early revharshly while Hamilton has olutionary movement. He was rejected at Princeton (Burr's alma mater) but studied law at King's College (the forerunner of Columbia University) and, as everybody knows, spent the next three decades making a brilliant, seminal contribution to American history as a theoretician of federalism, a

> the founding secretary of the But Hamilton was also a married man with several children who was chronically unfaithful to his wife. He had one affair, with a woman who was later a law client of Burr, that, as part of a claim that he was the victim of an extortion

Hamilton had a powerful tyrannical streak. For example, he favored the terrible Alien and Sedition Acis of 1792, which Burr opposed. While treasury secretary, he enabled friends and relatives 10 engage in what we would now call insider trading.

scheme, he publicly admit-

Rogow, in other words, agrees with John Adams, who called Hamilton "a proud-spirited, conceited, aspiring mortal, always pretending to morality, with ... dehauched morals ... As great a hypocrite

as any in the U.S."
In his last chapter, after chronicling the murky events makes his moral balance sheet clear. Hamilton's destruction, he argues, was the product of a strange, unreas-oning "long-standing obsession with BUT.

Most interestingly and most ject. speculatively, Rogow be-

Rogow's book, which is Hamilton's remarkable ca- as a kind of unwelcome mirror to sexual adventures, possibly Hamilton, whose brilliance at times with the same wom-

Hamilton, Rogow writes (in a typically stiff sentence) saw in Burr those illicit and inappropriate fantasies, desires, and impulses of his own which he did not wish to confront and which, by relentless opposition to Burt, who represented his 'bad' self, he: could strive to bring under control and render harm-

Some of Rogow's arguments are highly speculative. This includes his speculation, reminiscent of Gore Vidal's novel "Burr," about the reason Burr was pushed to chailenge Hamilton to a duel. A Hamilton consumed with hatred and determined to destroy the person he had selected to be his mortal foe may, Rogow writes, have spread the rumor that Burr was engaged in an incestuous relationship with his own daugh-

Rogow, in portraying Burt as passive and virtually hlameless, skids rather lightly over one of the more salient features of the case: namely. that it was, after all, not Hamilton's "obsession" with Burr alone that produced his death hut Burr's aggressive reaction to that obses-

But Rogow is certainly correct to call into question the historical memory that has made Hamilton a hero and Burr a villain. His arthat led up to the duel, Rogow gument is a thoughtful and valuable statement about the vagaries of moral and historical understanding. It is too bad that his writing style and his storyteller's skills are not up to the sweep of his sub-

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RUSSIA: Yellishin t

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well as industria: at holdings. In another feet. the Russian vowed to more the privatization

Driver in Gucci Says Killer Is at

MILAN heir Maurizio Gu getaway car. ().... iller was shift at the The driver O-2. the murder plant. Psychic and a second Suspected Suntre founded the Guillian 1995, as he wall Ansecutore alies 12 in half to South 12 Mr. Cicala dec dealing drugs, he identity the A the trial: Mrs. Pressurer

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Albania Warns Milosevic

Tirana Considers Shift in Policy on Kosovo Crisis

TIRANA — The Albanian government warned Tuesday that it might review its policy on the Kosovo crisis because the Management of the said he would intensify his efforts to get the international community on the Kosovo crisis because the Yugoslav government of President Slnbodan Milosevic he called "ethnic cleansing" in Kosovo. had showed no sign that it would refrain from the use of force.

Albania has wnn international praise for its

Prime Minister Fatos Nano's government hacks autonomy for Kosovo within Yugoslavia. Yugoslavia rather than independence, and has All commi who are fighting Serbian troops for Kosovo's itants, remained cut off Tuesday, so no update independence, preferring to deal with the on possible new casualties was available. independence, preferring to deal with the elected ethnic Albanian leader in Kosovo, Ibrahim Rugova

■ 2,000 Flee Violence in Kosovo

International aid organizations warned restraint in the face of mounting clashes between Kosovo's ethnic Albanian majority and Serbian security forces.

International and organizations walled Tuesday of thousands fleeing the surge of violence in Kosovo, which has claimed dozens of lives in the last several days. The Associated Press reported from Pristina,

All communications with western Kosovo, had no official contact with the separatist guerrillas of the Kosovn Liberation Army where Serb forces recently intensified their campaign in wipe nut ethnic Albanian mil-

Serbian police said four policemen were Ibrahim Rugova.

In an apparent hint that this could change,
Mr. Nano said: "In Kosovo, people have
taken up arms in self-defense and their or-

KOSOVO: Belgrade Moves to Wipe Out Rebels

Continued from Page 1

along the border and in other places."
Mr. Milosevic's decision to unleash his troops on the ethnic Albanian rebels undermines an American diplomatic effort to bring the two sides together. Richard Holbrooke, the U.S. envoy, had secured Mr. Milosevic's agreement to begin direct talks with the Albanian leadership, and had as a result decided that

sanctions on Belgrade should be suspended. The about-face on the sanctions has angered many European allies, since Washington originally pushed Europeans to adopt them.

Mr. Milosevic has been unable to seal off the mountainous and desolate border with Albania. Over the last few weeks he has watched weapons, supplies and mercenaries - many of them veterans of the Bosnian conflict - flood into Kosovo to build up the Kosovo Liberation Army, senior Western dip-

The rebel force is fighting for a separate state in a province where ethnic Albanians numumber Serbs nine to one. It already controls as much as 40 percent of the province and has been engaged in daily hit-and-run clashes with the police and the military in the last three months. More than 200 people have been killed since March, including three Yugoslav soldiers gunned down at the Morina border post near northern Albania on Friday.

The Serbian police have prevented reporters and outside observers from reaching the fighting. Those fleeing the area, however, with Albania and doubted that it would be report constant antomatic fire and the crash of possible to find the support necessary to deartillery rounds. Many villages are burning, especially those near the Albanian border, witnesses said in telephone interviews Monday. The ferocity of the combat appears to be in order to stave off sanctions, said it would greater than the bloody sweep in March by meet for a second time with the Kosovo Serbian special police units that left 80 ethnic Albanian leaders on Friday.

Albanians, half of them women and children, dead. It was this attempt to wipe nut the rebels that triggered the current open revolt in the province and swelled the ranks of the guerrilla movement.

"There is a very clear pattern of activity emerging," said a Western official who follows the conflict. He described the Serbs' thinking this way: "The Serbs are putting the army on the border and clearing the zone. You have in have an eight to 10 kilometer wide stretch where no neutral people live; anyone there is an enemy. You have to get them out of those villages, otherwise they can help the Albanians smuggle. At the same time, the Kosovn Liberatinn Army is trying to huild, fortify and equip its base areas for training and nsing its force.

Until now, most of the fighting has been, in the words of a senior NATO nfficial, "a distraction, a skirmishing line."

The fighting now, however, is different with elite special police and military makes

with elite special police and military units moving to wipe out rebel enclaves along the border with Albania and in the central Drenica region, according to witnesses in Pristina ish victims. reached by telephone.

about the impact on neighboring states, was carrying out "detailed studies of possible preventive deployment" and "was preparing exercises for consideration."

But NATO officials conceded that it could take up to 20,000 soldiers to police the border with Albania and doubted that it would be

ploy such a large contingent.

The Serbian government, which agreed last month to hold talks with the ethnic Albanians cial role" in laundering Nazi gold.

The report asserted that Spain under Germany of

BRIEFLY



ANGRY MINERS — At a protest Tuesday in Kiev in front of the presidency, a participant banged his helmet on the ground to back demands for overdue wages.

Slovaks Give Assurance On New Nuclear Station

BRATISLAVA — Slovakia's nuclear power agency said Tuesday that it had assured the European Country of sured the European Commission that the controversial Mochovce nuclear power sta-

The Snviet-designed Mochovce is hitterly opposed by neighboring Austria, which says the plant would be unsafe. Austria asked the European Union last week to take up its protest with Slovakia.

States, scheduling the issue for next week.

But the speaker of the Duma, Gennadi Seleznyov, warned that the hearings would be shelved if President Bill Clinton continued protest with Slovakia.

'Mochnyce is, from a technical and safety point of view, ready to begin operating," the Slnvak Nuclear Supervision Bureau said, It stressed that "strict requirements and the armament by ratifying the nuclear-arms recommendations of the International Atomic Energy Agency' had been met.
Located 120 kilometers (75 miles) from

the Austrian border, the Mochnyce power station is schednled to begin operating in

Pope Picks Guard Chief

VATICAN CITY — Pope Juhn Paul II selected a colonel in the Swiss Army on Tuesday to head the elite corps of Vatican guards, which was shaken last month by a murder-suicide that took the life of the com-

mandant, Alois Estermann. The pontiff chose Colonel Pius Segmueller, 46, to head the Swiss Guards. He named Lieutenant Elmar Maeder, an attorney and army veteran, as second-in-com-

For five centuries, popes have drawn nn

Swiss Roman Catholics to serve in the force. protecting the Pope and, in modern times, performing ceremonial duties.

MOSCOW - The Russian Parliament announced Tuesday that it had decided to tion was safe hut would not go into service move up plans for closed-door hearings on the START II arms treaty with the United

> to put pressure on Russia to ratify the treary. After recent nuclear tests hy India and Pakistan, some lawmakers have been urging Mnscow to show its commitment to dis-

Serb Chief Silent on Foe

agreement.

BELGRADE - The president of the Yugoslav Federation, Slnbodan Milnsevic, remained conspicuously silent Tuesday over a major election triumph by his foes in Montenegro, who pledged to defy him and push far more democracy.

Mr. Milosevic's reaction to the election victory of a coalition led by the reformminded Montenegro president, Milo Djukanovic, could determine whether the remnants of Yugoslavia, now consisting of Serhia and Montenegro, break up or move toward democratic changes

Mr. Milnsevic's ally, Mnmir Bulatovic, who lost the elections, was summoned to Belgrade for consultations. There was un word from the meeting.

Spain Denies Laundering Nazi Gold

The Associated Press

MADRID - Spain on Tuesday denied new allegations from the U.S. State Department that it sold war supplies to Nazi Germany in exchange for guld stolen from Jew-

'Spain did not launder Nazi gold General Clark said that NATO, worried stolen or looted from the Jews," Foreign Minister Abel Matutes said.

He added that Spain stood by its own investigation, which found that the country had acted correctly in its husiness dealings with Germany during World War II.

Mr. Matutes reacted to allegations by State Department historians and

a leading exporter to Germany of tungsten, which is used to make can-

ports of tungsten had never been a secret and added that the fact that the country sometimes was paid with gold did not constitute a charge.

Spain and four other neutral countries in World War II - Portugal, Switzerland, Sweden and Turkey were accused in the State Department study that was made public Tuesday of handing back less than 20 percent of the looted Nazi gold believed to have been kept in their banks,

In April, a Spanish government commission presented a report in which it absolved Franco's regime of responsibility for the purchase of gold from Germany, saying that it did so out of economic necessity in the aftermath of the Spanish Civil War in the 1930s and that the transactions

non and armnred plating, and that it was frequently paid in looted gold.

Mr. Matutes said that Spain's exonio Guterres said that Portugal had In Lisbon, Prime Minister Antonio Guterres said that Portugal had nnthing to hide about its wartime dealings with Germany.

"The Americans can say what they want. We are just interested in the truth," Mr. Guterres said in reaction to the U.S. government re-

Turkey to Investigate

Turkey said Tuesday that it would investigate allegations that it re-ceived Nazi gold in payment for war supplies, The Associated Press re-ported from Ankara,

"Turkey has nothing to hide," said the Foreign Ministry spokesman, Necati Utkan.

. He added that a commission headed by a state minister would

Chamber Stops Work On Italy Constitution

The Associated Press

ROME—Constitutional reform in Italy was on its deathbed Tuesday, but political leaders said they were putting the funeral off until next week.

The Chamber of Duties had been scheduled to vote on a disputed article revising the powers of the president, but the vote was called off.

"On Wednesday, June 10, the chamber will meet and it will acknowledge that the conditions to continue the reforms no longer exist." said Gustavo Selva, deputy whip for the rightist National Alliance.

Massimo D'Alema, the Democratic Left leader, said there could be a last-ditch effort to salvage reforms. But he said a "miracle" would be required for the process to continue.

RUSSIA: Yeltsin Calls for Help

A statement expected this week envisions some kind of and the Kremlin, participants

Mr. Yastrzhembsky said would be \$1.6 billion. the magnates presented Mr. Russian officials continued Yeltsin with ideas to stream to discuss some kind of inline taxes, untangle the country's web of wage arrears and debts, and reduce tariffs on sia's \$70 billion internal gas, energy and railway trans- debt.

Al Breach, an analyst at the Russian European Center on Economic Policy, said the symbolism of the Yeltsin meeting with the oligarchs was to display solidarity in

the face of market panic. 'If one of them pulled the plug and went for the door," t would shake confidence in the entire system, he said of

"If they all stand firm," he added, they can hold it. Those present included Rem Vyakhirev of the natural gas monopoly Gazprom; Vagit Alekperov of the oil giant Lukoil; Mr. Gusinsky, Mr. Chuhais and several others.

well as industrial and media In another development, the Russian government vowed to move ahead with in the privatization of Rosneft,

in half, to \$900,000 a year.

identity, the ANSA news agency reported.

Continued from Page 1 the state-owned oil company. for \$2.1 hillion, there were no bidders, which sent shock new, joint effort by hisiness waves through the markets. On Tuesday, it was announced that the selling price

■ U.S. Reaction Cautious Paul Blustein of The Washington Post reported.

Officials in Washington sought to dampen expectabailout for Moscow would be

mobilized in a hurry. They said the government of President Yeltsin must first take major steps to put the Russian economy on a

sounder footing.
The Clinton administration and the IMF have become extremely sensitive to criticism that big international rescue packages allow rich investors and banks to avoid suffering losses on their risky investments in foreign countries.

Most of them have banking as Critics of the IMF have already begun complaining that an aid package for Mos-cow would bail out investors Russian government bonds.

Driver in Gucci Murder

Says Killer Is at Large

MILAN - A defendant in the murder trial of the fashion

heir Maurizio Gucci confessed in court Triesday to driving the

getaway car, then surprised the courtroom by saying that the

killer was still at large.

The driver, Orazio Cicala, testified that he was drawn into the murder plot by Mr. Gucci's former wife, her high-society the murder plot by Mr. Gucci's former wife, her high-society the murder plot by Mr. Gucci's former wife, her high-society the murder plot by Mr. Gucci of the doorman. He then declared that the psychic and a hotel doorman. He then declared that the suspected gunman — Benedetto Ceranlo — was not guilty.

Mr. Gucci, the 46-year-old grandson of the man who founded the Gucci fashion empire, was shot on March 27, 1995, as he walked into his office building in central Milan. Prosecutors allege that his former wife, Patrizia Reggiani, had Mr. Gucci murdered because he had cut her alimony payments in half, to \$900,000 a year.

hall, to 3500,000 a year.
Mr. Cicala described the killer as a "dolt" he had met while dealing drugs, hut said he was afraid to reveal the man's

"I can't give you his name because I have children and a

family," he told the court.

For the first time, all five defendants appeared Tuesday at the trial: Mrs. Reggiani; her long-time confident and spiritual adviser. Giuseppina Auriemma; Ivano Savioni, a Milan hotel doorman; Mr. Cicala, and Mr. Ceraulo.

Mrs. Reggiani's lawyers said in opening arguments that she Mrs. Reggiani's lawyers said in opening arguments that she had hated Mr. Gucci and had often said she would like to see had hated Mr. Gucci and had often said she would like to see him dead. But they said a 1992 operation for a brain tumor had him dead her incanable of conceiving and carrying out the

rendered her incapable of conceiving and carrying out the

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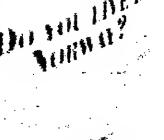


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EDITORIALS/OPINION

day endorsement of further financial assistance for Russia did nothing to calm the financial crisis there. On 10 percent of its value. It has now lost more than balf its value this year. The

Some of the causes of the crisis are beyond Moscow's control, which would tend to strengthen its arguments for outside aid. The Asian financial crisis has spooked investors about all emerging markets. The steep fall in prices for oil, gas and gold has hit Russia hard, reducing both its export revenues and its tax collection. Helping countries nvercome such external shocks is a le-

that bureaucrat falling down on the job.

reform of the tax code makes its way

through the Russian Parliament. Pressure in the opposition direction

as a prerequisite for aid. All that makes it important for Boris Fyodorov, the country's new tax czar, to step up collections. That means that Russia will have to operate like a modern state in wringing taxes from the clearly profitable but politically pro-tected enterprises that have managed to ignore the tax laws. At the same time, he must persuade people across Russia that the system is being administered fairly. That will not be easy, particularly given the corruption in the tax service that Mr.

ing some from the United States, about an interim loan. That could help to restore confidence, particularly if it is clear that the money is being provided without any promises of a bailout from international agencies.

Russia in Trouble

Link Aid to Reform

President Bill Clinton's vague Sun-Monday the Russian stock market Inst ruble is in danger, and so are President Boris Yeltsin's economic achievemenis and the future of his pro-reform

government

gitimate function of the IMF. But Russia is vulnerable in such shocks because of its own failures particularly its failure, after seven years, to fully implement economic reform. This is not just a matter of tax inspectors being too lax or of this or

Tasks for Fyodorov

Ynu know ynu are on new economic terrain when the White House decides to rusb nut a pronouncement on Russia on a Sunday, not because of some impending Russian government action but in hopes of influencing financial markers to be more inclined to lend money to the Moscow gavernment.

President Bill Clinton's efforts to jawbone Russian markets were, at least initially, no more successful than previous presidents' efforts to talk up U.S. financial markets in times of crisis. Panicked investors are not inclined to be reassured by vague promises of support, such as the White House offered when it said the United States would back "additional conditional financial support from the international financial institutions, as necessary, to promnte stability and structural reform in Russia,

The most important word in Mr. Clinton's statement was "conditional," and it points us toward the real game that is being played here. The president is supporting the current in-ternational policy of delaying a large bailout until there is evidence of real reform. In plain language, the United States and the IMF want Russia's government to prove that it can collect revenues even before the hadly needed

as Mr. Yelisin likes to say. The problem is structural. Russia took strong measures to initiate a transition from communism to a free market, but in many instances it has not followed through.

Land still is not fully privatized. The tax code has not been updated. Although most companies have been privatized in name, the judicial and legal reforms necessary to force them to behave like truly private corporations bave nni been forthcoming. Foreign investors last year ignored these handicaps, bidding up the Russian stock market in unprecedented beights. Another IMF bailout now could save those investors from their recklessness and allow Russia nace again to post-

pone needed, and promised, reforms. The most persuasive argument for additional aid now is that Russia's new prime minister and cabinet, arguably the most pro-reform ever, should be given a chance. But if the IMF or the Group of Seven come up with addiffinal loans, they must make clear that the aid is neither open-ended nor unconditional. As long as Russia knows that the West considers it too hig in fail, its government will not take the

painful steps necessary to succeed. -THE WASHINGTON POST.

that is, for a bailout now - is coming from the hig investors who regret going into Russia and have driven down the Russian stock and government bond markets. It is a dangerous and expensive game, but in the absence of a major collapse, Mr. Clintnn is right in press for internal reform

Fyodorov spoke of on Monday.

The most hopeful sign for the Russian government on Monday came in reports that it was talking to a group of foreign financial institutions, includ-

-THE NEW YORK TIMES.

Clinton Backs Down

back down from an appellate fight with the president has strengthened his ar-Independent Counsel Kenneth Starr over executive privilege was prudent. The facts of the Monica Lewinsky matter were unlikely to produce a decision that would serve the presidency even in legitimate attempts to keep White House communications confidential. Moreover, Judge Narma Holloway Johnson's recent decision, although it requires White House aides Sidney Blumenthal and Bruce Lindsey to testify before Mr. Starr's grand jury, was far better for the president than it might have been. Mr. Clinton surely serves his office better to let the two aides testify now than to wait for a Supreme Court decision that could weaken presidential prerogatives.

It is, however, a shame that the president did not show similar wisdom about his claim that a governmental attorney-client privilege pratects parts of his conversations with Mr. Lindsey. This privilege is even more fragile than executive privilege; Mr. Starr, along with a federal appeals court, argues that it does not even exist. Judge Johnson disagreed, holding that a qualified privilege does exist but that it is overridden in this case by Mr. Starr's need for the Lindsey testimony.

The White House cannot believe that it is maximizing its chances of reinforcing this privilege by litigating this matter - in which the testimony sought relates in allegations of obstruction of justice and subornation of perjury by the president.

His partial retreat may actually delay matters more than a full-fledged appeal would have. By appealing only the attorney-client aspects - those

President Bill Clinton's decision to with no constitutional implications gument that the Supreme Court should deny Mr. Starr's motion that the high court bear the privilege case even before the court of appeals reviews it. This additional layer of review could

add months to the privilege fight.

Meanwhile, press reports indicate that Mr. Clinton, whn promised to cooperate with investigators and to answer the basic questions at the heart of the Lewinsky matter, has spurned Mr. Starr's repeated requests to appear before the grand jury. This is not co-operation. The president has stood down on executive privilege, but his public promises of cooperation continued in be belied.

- THE WASHINGTON POST.

Other Comment A Cheaper Yen Can Help

The weaker yen will not be a cureall, but it is likely to do more good than harm. A cheap yen will bring three benefits to Japan. First, it will boost exports and so help to offset feeble domestic demand. Second, by helping to push up import prices, a weaker yen will make deflation less likely. Japan is currently in danger of entering a deflationary spiral in which falling prices swell the real deht burden of companies, which adds to the problems of the banking sector, which further depress demand and so prices fall lower still. And, lastly, a cheaper yen will lure new capital into Japanese equities and property, helping to ease one of the fi-nancial sector's biggest problems.

- The Economist (London).

Herald Cribune

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A Priority for Russian Reform: Stem the Stealing

MOSCOW — Russia's large budget deficit has been blamed for its current economic crisis, pushing the country's financial markets to the brink of collapse and sending foreign investors fleeing. But the main culprit is the alliance that the Russian government has formed with powerful business interests. This alliance has been raiding the public treasury and depriving the Russian people of a se-

cure and democratic future. Item: The Finance Ministry lent \$150 million to the Moscow Aviation Production Combine so that it could build MiG-29 fighter planes for sale to India. An audit by the Chamber of Accounts found that not one cent of the loan reached the enterprise. At the time of the "loan," the MiGs were already finished and ready for sale outside the plant.

Item: The Russian Parliament appropriated \$150 million for the reconstruction of the Chechen economy after the war there ended. The total bill came to \$3 billion. An intensive review by the Chamber of Accounts found doc- little revenue. And few privatized

By Venyamin Sokolov

umentation for only \$2 billion, and less than \$150 million reached Chechnya. What bappened to the remaining billion? No one knows.

Tax revenues are collected only to be stolen. Losses on the federal and regional levels are huge. The Finance Ministry compounds the problem by having no accounting system to keep track of revenues and spending. The

Russian people are paying the price.
When the World Bank lent Russia \$90 million, the first third of it was set aside to compensate victims of bank frauds and pyramid schemes. Later audits showed that not one victim re-

ceived the money. Meanwhile, the massive privatization drive undertaken by President Boris Yeltsin has produced few benefits. For example, when Norilsk Nickel, the vast mining complex in Siberia, was privatized, it was sold at fire-sale prices, and the government received

capital. Thus, when the Russian oil giant, Rosneft, was put up for sale last week, nn bidders came forward. The rights of the ordinary shareholder are not respected. Only the veneer of capi-

cline, and its precipitous recent fall may be ald much worse to come.

The situation is not yet irreversible.

has suffered the world's steepest de-

talism has been achieved. All this bas created the debt that is strangling the economy. Forty-five percent of state revenues are now used to service that debt. Little is left over to provide services, a simation worsened by the 30 percent budget cut that Mr. Yeltsin made in April and an additional 12 percent cut in May.

This means on money is left to pay workers or to support education, public bealth or scientific research. Nn wonder unrest is mounting. Scientists unpaid for months have blocked railroads, and miners have gone on strike.
This year the Russian stock market

companies bave become more efficient or profitable.

To the government's credit, democracy is beginning to work in Russia. Independent auditors are allowed to investigate. Courts are weighing complaints about illegal privatization brought by the Chamber of Accounts.

That is a start. But there is more to be done. Violators must be prosecuted, and those who enforce the law must have government support in punishing the guilty. Shareholders, too, need the tools to clean house.

Beyond this, the international community, especially the IMF, which promotes the transformation of the Russian economy, must belp bring the country back from the abyss by demanding greater accountability on its loans. Otherwise Western economic prescriptions will continue to fail.

Effective reform must stem the stealing of the Russian state.

The writer is o director of the Chamber of Accounts of the Russian Federation. This comment was translated from the Russian for The New York Times by Louise I. Shelley.

Time for Chinese-U.S. Teamwork Against Proliferation

K UALA LUMPUR — Pak-istan's nuclear test explosions, after those of India, provide a compelling new rationale for the United States own nuclear tests. and China to work closely to-

gether to prevent the spread of weapons of mass destruction. But will they? During their summit meeting

in Washington in October, Presidents Bill Clinton and Jiang Zemin issued a joint statement saying they were mutually determined to huild "a constructive strategic partnership. "This commitment was reaffirmed during Secretary of State Madeleine Albright's recent visit to Beijing to prepare for this month's Beijing summit.

Neither side has yet defined how the strategic partnership would wark. Both seem to agree that at a minimum it should involve high-level dialogue on strategic issues and joint efforts to develop couperative approaches when mutual security

interests are challenged. The Indian and Pakistani nuclear tests should be just such an issue. Yet evidence of constructive cooperation or a coordinated Chinese-U.S. approach is

nowhere to be found. After the Indian tests, the United States and China could have affered a joint security guarantee to Pakistan in return for a pledge not to respond in tions. Pakistan, in justifying its own lests, has claimed that the lack of nutside security assurances left it with nn chnice but

to provide for its own defense. After this initial failure to respond, Washington and Beijing still share a mutual interest in seeing the Indian and Pakistani programs terminated and in halting further proliferation.

The United States did take a firm stand against India, and tried openly to pressure and entice Pakistan not to start testing. China was much more subdued, issuing bollow words of condemnation against India while.

diculnusly over the top about Newt Gingrich's trip to Israel

last week that the trip becomes

an object lesson. It is rare that

you see such an Olympic-quality pander for Jewish

votes and campaign donations, with no regard for U.S.

interests or regional stability. Secretary of State Made-

leine Albright has presented

Prime Minister Benjamin Net-

anyabu with a fair-minded

plan for satisfying Israel's se-

curity needs and the Pales-

tinians' territorial requests,

and to move the process into

The U.S. plan protects Is-

rael's security needs but does

not satisfy every fantasy of every extremist in Mr. Net-

anyahu's cabinet. So be has to

choose: Go with the United States and the Palestinians,

and advance the process hut

lose part of his coalition, or

bold his whole coalition and

This is a hard choice for

him. He does not want to be

blamed for reigniting the con-flict. It would be Bosnia on the

Jordan. But be is abviously

reluctant to confront far-right

opponents of the plan. (Why

he won't take on Ariel Sharon,

I don't know. I'd bet on Mr.

Sn he keeps delaying and

trying to squeeze even more

out of the Americans and Pal-

estinians, hoping for a deal so

overwhelmingly in Israel's fa-vor that Mr. Sharon's com-

But this would make the deal

plaints would be neutralized. mises is stupid.

Netanyahu in that debate.)

final-status talks.

lose the process.

By Ralph A. Cossa

courage Pakistan to conduct its

A diplomatic mission to Beijing by Pakistan's foreign minister, reportedly aimed at ubtaining security assurances, came away empty-handed, save for an alleged pledge by China not to impose economic sanctions should Pakistan conduct a nuclear test.

China took a little heat internationally from those who accept at face value India's claim that it was fear of China, and Chinese nuclear and missile technology assistance to Pakistan, that drove New Delhi's decision to test. In reality, most analysts agree that domestic political factors ruled the day.

China did, however, play a supporting role. It is impossible

stating that "China will not en- to discuss international relations in India for more than a few minutes without getting a lecture on how China, as a nuclear power, receives special treatment and respect that should rightfully be accorded to India as well, or instead.

It has been relatively easy for China to brush off criticism about somehow being to blame for India's actions, especially given Beijing's pledge not to resume its own testing program. But it will not be able to escape international criticism for Pakistan's actinns, since Beijing is widely seen as the silent partner behind Islamabad's nuclear

The Pakistani nuclear tests could even provide the final straw in convincing Mr. Clinton - already under fire for alleged

tions and for technology transfer scandals - to cancel his visit to China.

All this would seem to at gue in favor of a much stronger Chinese response to India and Pakistan's nuclear testing, if for no other reason than to convince others not to fallow suit. What kind of message does a lukewarm response to testing by India or Pakistan send to countries like Iran, Lihya or North Korea?

And then there is Taiwan. If New Delhi can make the case that the China threat justifies a nuclear weapons program, and if China merely shrugs its shoulders as Islamabad makes the same case vis-à-vis India, what does one say to the people of Taiwan?

After all, China has been shonting nothing but olive

Chinese campaign contribn- branches toward India in the past several years, while firing missiles toward Taiwan. The Taiwanese have a nuclear power industry that generates a substantial part of the island's electricity. They may well have the know-how to develop nuclear weapons - although the

government has said it will not. A failure by Presidents Clinton and Jiang to do more than wring their hands over the emerging nuclear arms race in South Asia would belp to perpetuate a destabilizing situation. It would also increase the odds that others will travel down the nuclear weapons path.

The writer is executive director of Pacific Forum CSIS in Honolulu, o nonprofit foreign policy research institute. He contributed this comment to the International Herold Tribune.

Fear Religious Nationalism, Nuclear or Not

PARIS — Heroic restraint is not to be expected of nations, any more than of individuals. Such restraint is edifying when it occurs, but it defied human nature and polit-

One has only to imagine how American public opinion would have reacted to a situation like Pakistan's - or recall bow it did react when the Soviet Union launched the first orbital satellite in 1957, and put the first man into space.

American nuclear nonproliferation policy has been perfectly reasonable as an effort to limit the risk that nuclear weapons will again be used in war. It also serves U.S. national interests, as a nuclear "have" power. That is its main flaw in the eyes of athers. The United States is against

Playing With the Peace Process

If the Clinton team bas the

courage to keep the pressure on Mr. Netanyahu, be will

eventually accept the U.S.

plan. It is too much in Israel's

and his own lang-term in-

terest. But he will avoid

Sn what does Mr. Gingrich do? First he denounces Mrs.

Albright as an "agent" for the Palestinians. Nice. Then,

while in Israel, he signals that

if Mr. Netanyahu decides to

gn with his hard-liners and

reject the U.S. plan, Newt will

make sure that Bibi suffers no

anyahn was clear: If the pro-

cess cullapses, I'll blame Clin-

ton, not you. I will sacrifice

the efficacy of American di-

plomacy for the short-term needs of Republican politics.

cynical?

Could anything be more

He planned to lay the corner-

stone for moving the U.S. Em-bassy to Jerusalem, from Tel Aviv. When the White House

warned him that this could trig-

ger an explosion, he backed off, but he did declare Jeru-

salem "the united and eternal

capital of Israel" - in con-

travention of U.S. policy that

Jerusalem's final status should

I hope Jerusalem stays Is-

rael's eternal capital, too, but

to rub this in the face of Pal-

estinians when the United

States is trying to persuade

them to accept other compro-

Mr. Gingrich's pathetic

be negotiated by the parties.

The message to Mr. Net-

penalty in Washington.

choosing as long as he can.

By Thomas L. Friedman

WASHINGTON — There impossible for Palestinians to swallow.

By William Pfaff

proliferation for others, but has no intention of renouncing its own nuclear weapons. This is not a reasonable policy from the ical expedience to believe that viewpoint of a nation unwilling Pakistan, admirable as are Pakistan would refrain from to rely on the benevolence of the many of their members, have demonstrating that it, too, is a existing nuclear powers, or since 1947 proved incapable of which is hostile to States, or regards the United States as hostile to it.

Such nations see themselves vulnerable to regional rivals already armed with nuclear weapons despite U.S. disapproval, as in India's case, or who have acquired them with tacit American approval, like Israel. That is why Iran and Iraq

want to be nuclear powers. U.S. sanctions policy now is uscless. Iran and Iraq have suffered from sanctions for years. They have nothing to lose and something to gain from joining the nuclear club, with India and Pakistan, or sn they see it.

performance was typical of this moment, when the illu-

sion is widespread that the

peace process is just about do-

mestic U.S. politics, and whn

can mobilize Congress and the

still a Middle East. Out there,

pressure is mounting to bring

frac back into the Arab fold.

Saudi Arabia is trying in or-

ganize an Arab conference that would probably freeze is-

rael-Arab relations as long as

Ahmed Yassin has just com-

pleted a triumphani money-

raising tour of Arab capitals as

part of his goal to wipe out

Yasser Arafat and then Israel.

And Jordan is terrified that Mr.

Netanyahu is gning to reject the U.S. plan and make it im-possible for Jordan to sustain

We have seen this sort of

pro-Israel, muscle beach party

before, where everyone thinks

that the nuly reality is U.S.-

Israel politics and that every-

one else is a paper figer. It was 15 years ago, when on May 17,

1983, the Reagan team and

Israel's Likud government

crammed down the throats of

the Lebanese an unbalanced,

totally pro-Israel plan for the withdrawal of most, but not all,

Israeli troops from Lebanon.

But the May 17 agreement

was never implemented. The

U.S. Marine compound in

Beirut was blown up five

months after it was signed. And

both the marines and Israel had

to pull out of central Lebanon

unilaterally, at great cost and

The New York Times

leaving an enormous mess.

its relationship with Israel.

The Hamas leader Sheikh

the peace process is frozen.

Believe it or not there is

Jews the best

The blame for what has happened in India and Pakistan belongs mainly to India. The governing elites of India and

over Kashmir. The Hindu nationalist-led Indian government of Prime Minister Atal Bihari Vajpayee, which came to power in March, is responsible for escalating the

nuclear level, as yet. Mr. Vajpayee's party won only a quarter of the popular vote in the national election that brought his coalition government to power, and testing nnclear weapons undonbtedly seemed a way to consolidate his

nuclear level - the symbolic

popularity. What it actually did was create the wave of popular opinion in Pakistan that required Pakistan to demonstrate that it too. possesses nuclear weapons. After the Indian tests, ministers in Mr. Vajpayee's government had made implied threats concerning Kashmir.

Now, possibly, all will halt again, with a kind of equilibrium re-established. However, this is a peculiarly dangerous situation because while public apinion in both countries is fired by nationalism, that nationalism is in turn fired by religious passions.

Pakistan was created as a Muslim state but has been a secularized elite. India was founded as a secular state, without an established religion. India's success in maintain-

and democratic institutions, despite the multiplicity of its religions and sects and the variety of its peoples, has merited the admiration of the world. Now comes an intolerant Hindu nationalism, whose leaders include people determined to subdne of expel Muslims and make

Nationalism driven by reli-

gion is extremely dangerous because while secular nationalist movements have goals and limits in this world, religious nationalism has intemporal aims. Indo-Pakistani struggle to the and promises its militants intemporal rewards. Die in the struggle against infidels or heresy and you are instantly in paradise. The Middle East has seen too much of the consequences of that kind of belief. Probably, stability and effective mutual deterrence can be re-established. Deterrence is even more convincing after you have seen the effects of your

> clear weapons are available.
>
> Nor does China, the silent actor in what has recently happened. The introduction of Hindu fanaticism into India's national politics is more important than

own bomb. Neither of these

struggling countries has the slightest rational gain to achieve

from a new war in which nu-

the bomb tests. The storm of protest and criticism that broke out when India's Parliament reassembled demonstrated that a large part of India's political class is appalled at what Mr. Vaipayee has done. It has to be seen now whether Pakistan's tests reasonably tolerant one, with a strengthen that reaction, which sophisticated and often very could eventually lead in the direction of a settlement between the two countries, or wbether

nationalism is in the saddle.

International Herald Tribune ing genuinely representative Los Angeles Times Syndicate.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO 1898: German Press

PARIS - [The Herald says in an Editorial: Another important section of German sentiment regarding the war is embodied in the interviews with leading Berlin editors. All sympathize with American motives, while disapproving the principle of armed intervention. There are some warnings to the United States in the matter of increased armaments being an outcome of the war. 'This will sooner or later drive the United States towards a policy of offensive conquest," says the Bismarckian organ.

1923: Georgians Shot

CONSTANTINOPLE Among fifteen officers shot for complicity in a Nationalist "plot" for the release of Georgia from Bolshevist domination were General Ahkhazi, president of the National Democratic

party, and General An-

dronikasbvili, gnvernnr of the Military School. The Bolshevists arrested eight hundred more persons on the occasion of the Georgian national festival.
The Bolshevists have struck a serious blow at the Georgian national cause, as those shot and arrested were regarded as the flower of the nation.

1948: Soviet Children NEW YORK - The Soviet

government has directed that all school age children of Russian diplomats, commercial representatives and other Soviet officials in the New York area be returned to Russia to attend school in their native land this fall. In explaining the new Soviet educational plan, Zot J. Chepurnykh, Russian Vice-Consul in New York, said that furthermore, no Russian children under seven may remain with their parents while they are in the United States on official business.

Necas Garage

LETTERS III

Goldwater:

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Krainis, m.s. Mr. Krasina a demon-train be dazule. gandistic gift.

Netanyahu He mired Netanyahu († 1977) Secretary of State Vi Albright in London raeli prime --visers brough: that were which hill here ridge there Israel's security This playing an old track of

yahu's He has a will of the Arre Europe and the U.S. istration But his a whiched Mr F. as well as A Vi and William Sales New York Time h has not receive pressed some of 1.-

distinguished from know a good dealer Israeli secuni Messirs Krauthar enthal and c enthal and Sairmentors in Israel's The two vears anyahu s receive of the peace protection the real security from

the real Security 1771
have increased
instead of the security moderate
lead in returning ingly impuriate isolation and and is in danger and renewal of mase. all in the The only Mr Netanyahu with is the security coalition in Life with the security coalition

 $\mathbb{H}_{\operatorname{elp}}$ the K_{0 sowar. Since March !

ceived daily
patches from the second cleans the steed

حكذا من الاجل

for an exclusive interview.

The next morning, several reporters stung by Mr. Mears's scoop drove up to Mr. Goldwater's mountain

home, hoping to recoup. The security guard at the bottom

of the driveway agreed to

call the house and the sena-

10r, gracious as usual, let us

You must understand that

on that weekend, Mr. Gold-

water was at the ceoter of a

liberty" speech. Large parts

of his party were threatening

said, "Look at this."

nst Proliferation

m. Nuclear of M

Netanyahu's Trick

Regarding "The Numbers sonnel.

Come Out of a Hat — Israel
Needs Guarantees" (Opinion, May 16) by Charles from Bosnia-Herzegovina Krauthammer:

demonstrates his capacity to helicopters. Villagers are be dazzled by the propa-gandistic gifts of Benjamin forced to leave their dead Netanyahu.

He noted that when Mr. are set after. Resistance of Netanyabu recently met U.S. self-defense is violently Secretary of State Madeleine repressed. "y Albright in Loodoo, the Israeli prime minister's ad- makes Kosovo the obvious visers brought along maps
that were supposed to show
which hill here and which
The danger of a wider conflict ridge there" could safeguard is imminent.

The United Nations has an

yahu's. He has lost the good-sanctions are not the way to will of the Arab world, solve the problem. Deter-Europe and the U.S. admin-mined military protection of istration. Bot his trick has be- Kosovo's ethnic Albanians witched Mr. Krauthammer, as well as A.M. Rosenthal and William Safire of The New York Times.

It has not, however, impressed some of Israel's most distinguished generals, who know a good deal more about Israeli security than do Messrs. Krauthammer, Rosenthal and Safire and their

mentors in Israel's far right The two years of Mr. Neranyahu's reign have been marked by the total collapse of the peace process, while the real security risks to Israel

have increased. Instead of dealing with what had been an increasingly moderate Arab world, musicians or teachers? Ex-Israel is returning to the days, actly how do we librarians of isolation and boycotts, and is in danger of seeing a really cares? renewal of massive violence

"security. The only security that Mr. Neranyahu is concerned with is the security of his position in his right-wing

UDI MICHALS.

Help the Kosovars

Since March I have received daily e-mail dis-patches from Kosovo describing the steady process of ethnic cleansing of Albanian

PHOENIX, Arizona — A coincideoce By David S. Broder

Goldwater: An American Original,

Unprogrammed and Uninhibited

hrought me back to Phoenix on the day of Barry Gold- determined to guard his own water's death and stirred individuality no matter what. memories of the summer, 34 The press and the country years ago, when the Arizona could think what they damn senator came home from San Francisco with the Republi-can presidential cominatioo his life saying and doin actly what he wanted.

The first day back, Mr. Goldwater was intercepted at the harbershop by The Associated Press's Walter Mears

That was the charles that is the paradox of his huge legacy.

He was almost completely uninterested to defining and completely a mass movement. That was his charm, and

organizing a mass movement, yet he truly created the con-

He created the conservative politics that have dominated America for the last 30 years.

huge political storm. The Republican National Convenservative politics that have tion had ended in an uproar, dominated America in the fitriggered by his defiant "ex- nal third of this century. How tremism in the defense of did he do it?

His ghostwrinen book, "Conscience of a Conservato rebel and elders from Ei-tive." inspired a generation senhower oo down were trying to calm the stormy waters.

of young people to join the
Republican Party; they fill its Every utterance from Mr. Goldwater was critically important at that moment. Republican Party, they fill its leadership today. But he was quick to proclaim, no intellectual. His ideas were So what did he do? First, be no more than gut reactions to told us he had begun the day his experiences.

oo the phone with another The U.S. Army Air Force early riser, his oeighbor made him a lifelong advocate "Lucky" Davis, mother of of a strong military, Even the future first lady Nancy more important, growing up in Davis Reagan. As was their a family of entrepreneurs on a custom, they had exchanged frontier just emerging into the latest jokes to reach their statehood and prosperity made ears — which he eagerly re- him believe that self-reliance told and none of which were was the supreme virtue.

remotely smitable for family The essence of his philonewspapers. sophy was expressed at a Then he showed us the 1964 campaign raily in elaborate "ham" radio Wichita Falls, Texas. He told equipment in the corner of his the crowd filling a football living room and, oo impulse, stadium how their ancestors had come to the arid South-He reached into a drawer west and scratched out a liv-

below the transmitter, extrac-ted a large brown envelope when they had dug a little ted a large brown envelope and removed from it a blown-deeper they discovered oilup photograph of a near-na- and riches beyood imaginaked woman posed provoca- tion. He concluded with a tively near her own ham set. classic Goldwaterism: "So, The inscription, he pointed out, read: "Barry, you ought to work' my call letters."

Let my people go. "

From those four words he

The contents of the sobsequent interview were much government, taxes and regless notable than these preulanon that is the hallmark of liminaries. The morning re- contemporary conservatism. mains a vivid reminder that The message took hold rap-Mr. Goldwater, more than idly despite his landslide deany other major-league politi- feat; Ronald Reagan, cian I have ever known, was gained his first national polit-

LETTERS TO THE EDITOR

villages by Serbian police, military and paramilitary per-

Villages are surrounded and Mr. Krauthammer again theo shelled, sometimes from and wounded behind. Houses

> This campaign of terror next place for intervention by

Israel's security.

This playing with maps is an old trick of Mr. Netansuch situations. Economic such situations. mined military protection of 90 percent of the province's populatioo - is

imperative. JONATHAN SCHWARTZ Copenhagen.

Prim Librarians?

Regarding "The Power and the Poetry of the Once-Prim Pleat" (Style,

May 26). The writer says that, until oow, pleated skirts have been "stuhbornly prim — the pre-serve of schoolgirls, lady

golfers and librarians. Another cheap shot Are we librarians any more prim than journalists, scientists, dress? More important, who

Let us abolish the clichés all in the name of about librarians: that we are all prim women who sport cat-eye glasses, buns and sensible shoes.

CAROL C. SIMPSON. Lindenhurst, New York.

Letters intended for pub-Letters to the Editor" and contain the writer's signature. name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

OPINION/LETTERS

When the State Seeks to Punish States of Mind

WASHINGTON — Meet federal Judge Whittaker J. Staog. who is old, dyspeptic and too good

wife and a hland but remuner-

ative job at an establishment law

a deaf black man he found in bed

Watson loses his wife (temporarily)

rather than plead his client guilty,

he throws himself into the task

of overthrowing the idea of hate

the California governorship just two years later. The Goldwater-Reagan and pretty. And if anybody doesn't view merged with and fueled a national reaction against like it, they can sue me for sexual pleased; he was going to live the Democrats, who for de-his life saying and doing exington and vastly expanded the scope of the federal govblack ones five or ten times at least. If Mr. Goldwater gave im-They were also smart, young and

petus to the conservative counterrevolution, he also demonstrated the weaknesses that have continued to plague Judge Stang is one of many tangy characters in Richard Dooling's "Brain Storm," a hilarious novel it. Though principled, his opposition 10 the great civil rights laws of the 1960s was historically wrong; Republicans are still struggling 10 overcome the distrust of minorities who exercise Joe Watson ("Like many lawyers.

growing political power. And his habit of making off-the-cuff comments that alarmed people who rely on Social Security retirement benefits, Medicare and other government programs continues to plague congressional Republican leaders who are

ical exposure in the 1964 Goldwater campaign, won

But he was always his own man, unprogrammed and uninhihited. An American original who loved political combat as he loved the land and the people of his native state.

By George F. Will

In real life, the first U.S. laws I like my clerks smart, young criminalizing hatred made it illegal to use hateful speech or to commit symbolic acts expressing hatred. These were declared unconstitutionharassment, age discrimination. These were declared unconstitution-and — I don't know — brains dis-al because they were out "content crimination, how's that? Can they neutral": If you painted a peace sue me for intelligence discrimina-tion yet? ... Take note! I've hired mild sentence for vandalism; if you

MEANWHILE

painted a swastika, you got 10 years for a hate crime. So instead of directly banning

about hate. Set in the near future, it is a serious novel of ideas, including enhanced the penalties for acts that Mr. Dooling's idea that laws mandating enhanced penalties for "hate crimes" create, in effect, thought trator's batefulness.

Watson Originally went to law a bonanza for lawyers: "Hate could school because he had been unmean more business for them than settled by the prispect of graduation crack cocaine. After all, hate is from college") has an expensive everywhere, and it's free!"

But proving intent to do something is hard enough withrm. out having to prove it was done Then Judge Stang assigns him to with a had attitude. Imagine the defend a racist lowlife who killed potential for abuse when the law invites prosecutors to prove to with his — the lowlife's — wife. juries that a particular motive a proscribed hatred of a group acand his job (permanently) because, corded special government protection - caused the killer to pull the

> Brain Storm" is a crash course in neuroscience, and the possible be- to gui the First Amendment to pro-

is a scientist who says that believing in free will is akin to believing in leprechauns. The mind, she says, is 'a symphooy orchestra with no conductor' — hundreds of billions of neurons cooperating to produce

consciousness, and we have no idea how. Bot new brain-scanning techno-logies can produce, in effect, pictures of, say, rage or contentment the glucose uptake, oxygeo coo-sumption, blood flow and electrical or magnetic activities correlated with particular states of mind. So is it unreasonable to postulate genetic, biological, environmental or med-

can be removed? The trouble is, the law bolds us responsible for cootrolling our This, a Dooling character says, is a minds — which, presumably, control our bodies. Unfortunately, government increasingly wants to inventory and furnish our minds.

ical causes of violence - causes that

Today government, although hard-pressed to provide hasic services, has ever more ambitious plans for fine-tuning citizens' minds. Joe Carnel has been killed and Budweiser's frogs and lizards will soon find themselves in the government's gun sights as part of its metastasizing campaign against socially undesirable desires (and not only those of

Political hygienists beot oo "campaign finance reform" are hot

havioral implications of neurological disorders.

One of Mr. Dooling's characters tect the (supposedly) gullible public from overdosing on "too much" political speech. To protect that fragile flower, womanhood (the law enshrines that stereotype), from "hostile work environments" (whatever annoys a particular woman on a particular day), a federal judge has held that use of gender-

> America's government has ever more ambitious plans for fine-tuning its citizens' thoughts.

based terms such as 'foreman' or

'draftsman' could constitute sex-

ual harassment. Government has found that classified ads for homes with an "ocean view" and with "family rooms" discriminate against the blind and

singles, respectively. So pay attention when Mr. Dooling says. "The day is fast approaching when all speech will be regulated in the interest of civil rights and the prosecution of hate criminals who commit gender crimes through the hostile and abusive use of illegal

And read "Brain Storm" for a subtle, eotertaining depiction of the tangle that results when government undertakes to punish oot only crimes but states of mind.

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Indonesians Enjoy Taste of Freedom, but Wonder How Long It Will Last BUSINESS OF By Seth Mydans He added. "This cruild be a short burst."

By Seth Mydans

JAKARTA — Suddenly, after decades of re-pression, Indonesia feels like a country without rules - and that, for many people here, is as

frightening as it is exhibitating.

Political prisoners are being freed. The once tightly controlled press has slipped its leash. Students are holding sit-ins in provincial government buildings. People are speaking their minds.

These things were almost unheard of under President Suharto, who stepped down oearly two weeks ago after running Indonesia for 32 years. Already since his departure, a new Indonesia is in the making, hut its shape is unknown.

"Everything is in flux," said Goeoawan Mobarnad, the editor of the magazine Tempo, which was shut dowo by the government in 1994 hut now plans to reopen. "Things can change to-morrow in a moment."

freedom after the emperor is deposed.'

For now, new political parties are being formed nearly every day. The military has returned to its barracks and is publicly investigating its own wrongdoings. And the attorney general has announced that he will investigate some of the immense wealth the former president amassed through businesses and charity foundations.

But there is little rejoicing here. It was not simply personal ambition that led Mr. Suharto to clamp dowo so hard for so long; it was a fear, shared by many in this country of 210 million people, of chaos.

The struggle to fill the place left by Mr. Suharto is only beginning, and unpredictable forces—the military, popular and religious movements, new political parties and opposition leaders — are testing their strength. Throughout the last week, rumors of coups and of conflicts within the military have swept the capital.

at an accelerating rate. Indonesia has entered a period of epochal change at a time when its people are becoming poorer, hungrier and more angry.

Dissatisfaction from the economic crisis was the prime engine behind Mr. Suharto's ooster, leading to riots and weeks of student protests. Pulling the country out of that economic tailspin has been left to his successor, B. J. Habibie. But social unrest in the coming months could again send the country into turmoil. One response to

unrest could be reimposition of strongman rule.
"The forces of repression are still lurking,"
Mr. Mohamad said. "When you live with people with guns, you have to have institutions to defend you, and we don't have that yet." Successive generations of potential leaders

were quashed by Mr. Suharto's autocracy. Now the many sectors he suppressed have begun to emerge and marshal their forces. Labor activists, leftist ideologues, Muslim su-

GERMANY: 2'Big Parties Warming to Idea of a Grand Coalition After Elections

Schroeder wants and will get a Grand Coalition.

A Social Democrat member of Parliameot said

that if the Greens ran as expected, staying close to 5

perceot of the vote, and that the PDS was com-

fortably returned to Parliament, a Grand Coalitioo

"becomes likely enough for me to say my instincts tell me it will happen." Ahead of everything else,

this would relieve Mr. Schroeder of having to live

with a situation where it appeared, regardless of his

denials, that he was tacitly counting on the former

Stalinists of the PDS for support in a tight squeeze.

Schroeder's thinking, said he would likely consider

emerged because of the particularities of the German electoral system, which virtually guarantee and reorganizing work-place rules counting oo vocal support, in the flood of German public opin-

that no single party can achieve a majority and rule CDU support rather than having to rely on the ion surveys. In a poll published last week by the on its own. Every poll indicates, and the political chancier support of the Greens and the trade onion oewspaper Die Welt, 51 perceot said that an SPD-

wing of his own party.

"And frankly," he said, "there is oo better way for him to deal with Lafontaine." The reference

was to Oskar Lafontaine, the SPD chairman, whose

are expected to peak at about 39 percent. Politicians old-left political orientation and strength within the and Greens. Another poll, taken among financial

party represents a contradictory presence for Mr.

Schroeder's stated plans to reform the German

sharply rejected any possible cooperation with So-

A ranking Christian Democrat, analyzing Mr.

campaigners, regional separatist movements. those still loyal to Sukarno, the presideot ousted in 1967, and ambitious men and women who were forced in the past to pledge allegiance to Mr. Suharto bave all been unleashed to pursue their own agendas.

'Now you have 1,000 alternatives," said Wimar Witoelar, a political analyst. "Everyone is confused. Everyone knows that the status quo is not going to last very long. So everyone is grahbing for what they can get: It's a classic power vacuum and you have all kinds of whirlpools swirling around. It's very, very dangerous.

Among the dangers is a resurgence of ethnic and religious conflict in this nation of 13,000 islands, hundreds of ethnic groups and a history of conflict between the overwhelming majority of Muslims and minority groups of Christians

Many ethnic Chinese merchants remain afraid

last mooth that damaged thousands of buildings and cost at least 500 lives in Jakarta alone. Smaller ootbreaks of rioting and looting have erupted elsewhere in the country since.

As dark fears and conspiracy theories stalk the capital, some even whisper that Mr. Suharto, who remains in Jakarta with his powerful family, may be acting as a "puppeteer" behind the scenes. "Be on alert because that factor could lead to a rift during the transitioo period," warned Marie Muhammad, who was Mr. Suharto's last finance minister, last week.

If the country's new openness and its struggle for political power degenerate into turnoil, and if its people slip further into poverty, many Indonesians might welcome a seizure of power by the military, the one institution that is seen by most people as experized and efficient. The military people as organized and efficient. The military formed the base of Mr. Suharto's rule and remains the most potent power behind the scenes.

HABIBIE: His Timetable Leaves Him in Presidency Until 2000

Continued from Page 1

He said he believed that Mr. Suharto, who is 76, had growo too old to sense the mood of the people. As a younger man of 62, Mr. Habibic said, he bad a better feel for the aspirations of the younger gen-

"It's a natural process, aging, you know," Mr. Habibie said. "I don't want to insult because he has done a lot for the country. But he's cot a young man."

The students are my children and the students are his grandsons. The gap betweeo father and son is less than the gap between grandfather and grandson. It is a generation gap, O. K.?

And in contrast with his patron, he presected himself as a champion of democracy and human rights as well as of the kind of economic openness that he said he hoped would quickly restore public confidence in the Indonesian economy and attract foreign invest-

"Now you have another person; you have another economic team. You have transparency. You could never talk to

Viagra Gets Thumbs Up

From EU Medical Panel

BRUSSELS — The European Union's medicines agency said Monday that its sci-

entific advisory committee had recommended

that Pfizer Inc.'s impotence treatment Viagra

The London-hased European Agency for

the Evaluation of Medicinal Products said the

European Commission would make the final

decision after consulting the 15 EU countries

- a process that cormally takes three

Pfizer annouoced last week that the panel

the Committee for Proprietary Medicinal

Products, had adopted a "positive opinion" on

ulators two mooths ago and quickly became

States, hut Pfizer said they were attributed

either to cardiovascular events associated with

sexual activity in older men ot to a com-

The EU medicines agency said in a state-

ment that it was responding to applications to market Viagra from Pfizer Limited UK and

Roerig Farmacentici SpA, both Pfizer sub-

sidiaries. It said it had considered the latest

Six deaths have been reported in the United

one of the biggest-selling drugs in history.

be marketed in Europe.

He defended Mr. Suharto's accumulation of hillions of dollars in wealth, saying the former president was frugal and never indulged in the life of the jet set. And Mr. Habibie said that Mr. Suharto's wealthy children shared the hlame for their self-enrichment with a feudal culture that treated them like roy-

alty.

"If you dig into the past, then the past is unlimited, and I have limited resources," he said.

"I'd better concentrate oo the future. Many of the things that are said are right and many things are also exaggerated. And so it is not worthwhile for the future of my country to dig into the past."

his family, Mr. Habibie insisted that they were all highly educated and talented people and that their wealth had beeo earned fairly.

In a melancholy tale of the handover have another president," he said. "You of power, he described his sudden aban-

Continued from Page 1

ning for election oo his party's platform can pub-licly admit to any foodness for the idea. During the '60s coalition period, it has been

argued that West Germany emerged from recession

and took the first small steps toward Ostpolitik, the

opening to the theo Soviet Union and its Eastern

European orbit. At the same time, though, some

historians have made the case that the Red Army

Faction terrorists that challenged Germany's sta-bility in the '70s found root in the Grand Coalitioo's

Now, the possibility of a Grand Coalition has

community believes, that the Social Democrats

Within their owo camp, the Christian Democrats

will ruo up the best score, winning 42 perceot or 43

and polisters concord to give the Greens, the Free

Democrats, and the Party of Democratic Socialism

many, just ecough votes to enter the Bundestag. Publicly, the SPD has advanced the position that it

neutered political environment.

President Suharto the way you can talk stepping down and had not communicto me." He added: "I am not the ated with him since.

When told of a newspaper report that Mr. Suharto was passing the time play-ing golf and jogging, Mr. Habibie said, ''Golf? That's good.''

The last time they met, he said, be-tweeo g o'clock and 9 o clock on the evening before Mr. Suharto resigned on May 21, the former president was still discussing his plans to announce a new

cabinet the next morning.
'But then at 11 o'clock I was informed by the secretary of the president that he had changed his mind. He was going to step down the next morning and leave it to the vice president to take over the leadership of the country," Mr. Habibie said,

f my country to dig into the past."

"The oext morning I applied to see
As for his own enrichment and that of
him at home but they said, 'No, he is oo his way. He will not receive you.' Mr. Habibie said he hurriedly asked

various officials whether this bandover of power was constitutional, and was assured that it was.

"Theo they told me the president had



Protesters shouting anti-American slogans Tuesday at the U.S. Embassy in Jakarta. They accused Washington of interfering in Indonesian affairs.

donmeot by Mr. Suharto, who be said arrived, and I immediately sent the pro-had refused to meet with him before tocol officer ro see whether I could see his brief resignation statement and Mr. all.

er, has privately told colleagues that he believes Mr. support through a deal with the SPD, find them-

that he would have an easier time reducing taxes for it, the coalition idea swims oo its own, without

him, and he said oo," he said. Mr. Habihie had taken the oath of office: Habibie also described what took place "He looked at me, he shook hands, between them after Mr. Suharto had read oot a single word, just a smile. That's

selves too ideologically opposed to conperate, or believe that an SPD-Green coalition is so pre-

programmed for disaster that it guarantees the

CDU's return to power in four years, if not sooner,

sionately, that a Grand Coalition in September

would assure the country's stability and progress.

After 16 years in power, the coalition would also

Since oo one in either party can campaign openly

CDU government would be the coalition best able

to solve the country's problems, an increase of 10

percent since February. One in four Germans pre-

ferred a coalition between the Social Democrats

professionals hy the oewspaper Handelshlatt.

showed the oumber of people believing that there

would be an SPD-Greeo coalition failing from 49

Asked if he didn't see a risk in the disengagement

and political somnolence that its criocs say a Grand

Coalition could bring, the SPD legislator replied,

"Whatever the outcome, I oever heard of anyone

outside of bere being afraid of a boring Germany."

percent to 40.5 perceot in a week.

provide the CDU with a practical and relatively

painless mode for its after-Kohl reorganization.

Against this are those in the CDU who want a

STRIKE: 3d Day of Turbulence

Continued from Page 1

and cooditions, leaving passengers on foreign airlines to cope with their own

The Communist-led CGT trade unioo, meanwhile, called a strike for Thursday on the Paris subway and the RER commoter service. Railroad workers have called a strike for Friday, and truckers are threatening to block roads in the days leading up to the World Cup.

"France, the company and the World Cup must oot be held hostage," Mr. Gayssot told the National Assembly eight days before the June 10 start of the tournament in cities across France. "We must negotiate and we must break this

logiam."
Air France says the pilots' strike is costing it about 100 million francs (\$16.8 million) a day. The strike is particularly embarrassing for the airline because it is the official carrier for the World Cup. It has promised to provide flights for all the teams in the 32-nation

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Mr. Gayssot and Jean-Cyril Spinetta, (the Air France chairman, said they would be flexible in the negotiations with the striking pilots, the first to be held since the pilots walked off the job Monday in a protest over planned salary cuts and a lower pay scale for new

Bot the pilots remained wary, issuing statement shortly before the talks opened urging Parliament to start an inquiry into Air France's finances. cootinuing presence in government, with its jobs and prerogatives, and who believe, sometimes pas-

"For a few days oow, Air France has been hlowing hot and cold," said Jean-Charles Corbet of the SNPL pilots' union. "We are going to attend the meeting, hut let's oot get carried away. We shall see." The SNPL represents twothirds of the airline's 3,200 pilots.

The talks ended after about five and a half hours and were to resume Wedwas no immediate word on whether any progress had been made.

Freoch officials and soccer fans have accused the pilots and other Air France unions of hlackmail by striking just before the World Cup begins.

Public opinioo has been heavily against the pilots, who are among the best paid in the world despite the national airline's having run up years of losses. The airline has received 20 billion francs in taxpayer-financed bailouts in recent years.

On Tuesday, the Socialist Party urged the pilots to accept government pro-posals as a basis for negotiations and said it hoped talks could reach a favorable cooclasioo soon.

"By refusing all reasonable change the pilots would indeed expose themselves to the incomprehension of French men and women," the party said.

About 9g percent of the company's pilots have joined the strike. As a result, most of the handful of Air France planes flying Tuesday were operated by charter

Air France has set up special toil-free numbers in France during the strike. These are 0 800 240260 for international flights, 0 800 051155 for domestic flights from Paris and 0 800 051555 for domestic flights to Paris. Information is also available through the Minitel system at 3615 or 3616 code AF, horaires.

British Airways, meanwhile, said it was increasing passeoger capacity on some of its London-to-Paris flights to meet additional demand arising from the strike. "We're doing everything we can, and over the next three days, we'll be offering 1.500 extra seats," a spokes-

Some of the 190-seat Boeing 757 aircraft used on Heathrow-to-Orly flights were replaced Tuesday with larger Boeing 767s, she said.

Oo Wednesday, the airline said there would be an extra 700 scats available oo BA flights to Paris, with an additional 240 seats Thursday. (Reuters, AP, AFP)

ecological party oow appears likely to enter the party are opposed to any coalitioo arrangement with Parliament by only a thin margin, and Joschka the SPD. The opposition hreaks down into groups safety data available from patients in the Fischer, the Greens' most coherent mainstream lead-that feel they could alienate their rank-and-file local United States.

percent of the vote.

Continued from Page 1

bination of Viagra and nitrates.

"I am still proud that I was a party member," Mr. Bao said, "but the Chinese Communist Party has done a lot

of stupid things. His comments come amid signs that influential party members are debating time since the 1989 crackdown. Some of role is it going to play without a voices outside the party are also calling for a re-evalution of the party's verdict "If we were a small country, it on the suppression of the 1989 demonstrations, which ended in the deaths of hundreds of civilians.

Mr. Bao was riding on a train back to Beijing from the countryside in 1977 wheo he beard a radio broadcast that Mr. Deng bad been rehabilitated.

"I had a great deal of hope in Deng," Mr. Bao said Tuesday night. "I thought in the beginning he could become a great

man in Chinese history.
"Unfortunately," Mr. Bao said, referring to the 1989 crackdown, "during June 4, he hlackeoed his own face. No one did this to him. He was too powerful.

He did it to himself. That, I think, is a tragedy for him."

Mr. Bao blamed the Communist Party for thinking it could undertake economic reforms without significant political reforms. He said that the party should have embraced political change at the time of the Democracy Wall movement in 1979. Instead Mr. Deng used the movement to crush his leftist rivals, then turned on the movement and jailed its most prominent

advocate, Wei Jingsheng. "This was the higgest lessoo" of 1989, Mr. Bao said. "I was very active in pushing political reforms. But I should

have pushed for them earlier." Referring to a group of leftist leaders, he said, "From as soon as we smashed the Gang of Four, just when the Democracy Wall was up, we should have started."

He said the failure to do this had created a country with a weak legal system that risks tepeating mistakes of the Cultural Revolution, when millions of people were killed and exiled to the remote countryside in a decade of intraparty strife, and of the Tiananmen Square crackdown in 1989.

munist Party and was the point man for world affairs. China 'has already gone political reform under Mr. Zhao. was the last 40 years," Mr. Bao said. "You have to ask yourself a question: What will it do on the international scene? Is it a source of stability or a potential source of instability?

CHINA: Freed From Jail, Ex-Senior Official Assails Leadership

"When it doesn't have enough power, its attitude will be restrained. Bot once it political reform more openly than any develops and becomes strong, what kind time since the 1989 crackdown. Some of role is it going to play without a

wouldn't matter," Mr. Bao added. "But

we are a big country."

He said China should adopt a system of multiparty democracy and said that the Communist Party should model itself on American political parties and be more responsive to its citizens. "If we can't do a multiparty system now, we can still start to work within the party to have a free discussion of opinions," Mr. Bao said.

Though he was expelled from the party wheo he was officially sentenced in 1992, he noted that Mr. Zhao, the onsted prime minister, was still a party member. "If he could publicize his views about June 4, that would be an

China grows more powerful it could Deng's protégés to be ousted and who prove a destabilizing force in Asia and preceded the current party chief, Jiang Zemin, lost his post in May 1989 after he appeared in Tiananmen Square to express sympathy with the studeots and plead with them to leave the square. He lives in Beijing under a loose form of house arrest. During the party congress in October, he sent a letter to party leaders in an unsuccessful attempt to get

(PDS), the hard-left party anchored in Eastern Germany, just ecough votes to enter the Bundestag. economy and job market. Within the CDU, Chancellor Helmut Kohl has

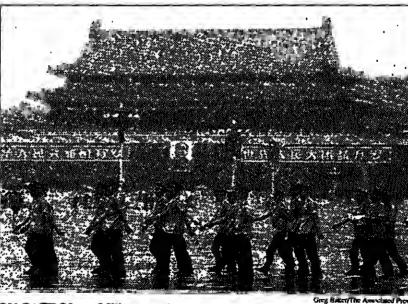
would seek to govern with the Greens. Bot the cial Democrats, and various other segments of the

them to reassess the events of 1989. Although many officials and scholars blame the students for provoking the government crackdown through their recalcitrance, Mr. Bao said the prime responsibility lay with the government.

'As a party member and official, my mistakes were higger than theirs," Mr. Bao said. "Even if the students made 100 mistakes, it still waso't equal to what the government did to them in sending the military to shoot at the people. There's no way you could compare it."

Mr. Bao, who joined the party underground during the 1940s when he was a high school student, had worked with Mr. Zhao on economic and political reforms for 10 years at the time of his arrest. Mr. Bao said that his treatment

showed the absence of true rule of law in mprovement," Mr. Bao said. China. A State Council report written by Mr. Zhao, who was the second of Mr. the Beijing party chief at the time, Chen



ON PATROL - Military policemen marching in Tiananmen Square on Tuesday, two days before the anniversary of the 1989 massacre in Beijing.

Xitong, who is now in jail on corruption charges, accused Mr. Bao of leaking word to the students that martial law would be imposed and advising them about how to confroot it. But at his trial in 1992, no mention was made of those charges, Mr. Bao said.

Mr. Bao's imprisonment violated one of the unspoken rules Mr. Deng made after the Cultural Revolution. That rule was: If you're a senior party official and lose a power struggle, you lose your joh but you don't go to jail. Mr. Bao is the only exception to that in 20 years.

KASHMIR: In Remote Villages Along the Border Between India and Pakistan, the Shooting Never Stops

Continued from Page 1

could attempt a military solution of the Kashmir crisis as early as this fall, according to civilian and military leaders familiar with the meeting.

Giving some credence to his fears, while the general was on the border, Indian officials were saber-rattling with threats of "attacking Pakistan" and "hot pursuit" of Kashmiri militants into

Pakistan territory. By the end of the meeting, General Karamat had convinced Mr. Sharif to order Pakistani nuclear scientists to explode their bombs in underground tests, sources said. The order was issued before dawn the next morning. Three days later, Pakistan cations both internally and between capitals, in-exploded five nuclear bombs, followed by a sixth adequate command and control of mulitary opblast two days after the first round.

Kashmir, long considered a potential flash point for nuclear war in South Asia, has now become the most critical linchpin in the debate in any international effort He linked the party's bouts of what he to maintain stability between two nuclear nations with Indian controlled state of Jammu and Kashmir, the called "madness" with a concern that as deeply entrenched religious and poliocal animosities. summer capital, Srinagar, was once India's most

"If we want to save oot only Sonth Asia from ouclear war, but the world as a whole, Kashmir is the root," said Mian Gbulam Rasool, a member of Pakistan Kashmir's state legislative assembly representing Chokothi and surrounding villages oo the "line of control."

In the view of many political and military analysts, his comments are out mere hyperbole. The emotionally charged and militarily volatile conditions along the Kashmir border offer conditions ripe for the kind of escalation to full-scale conventional warfare that potentially could lead to a nuclear attack. The possibilities are particularly dangerous in two nations with poor communi-

rival military operations,
The "line of control" slices through some of the most dramatic landscape of South Asia. In the

famed tourist resort, with tranquil lakes nestled beneath the snow capped Himalayan Mountains. But nine years ago Muslim militant separatists advocating a reunited Kashmir lauoched a guerrilla

war against Indian troops in India's Jammu and Kashmir, the only predominantly Muslim state in the overwhelmingly Hindu nation.

In the most visible signs of the guerrilla war, Indian-held Kashmir has been transformed into a

virtual armed camp, with Indian Army bunkers at every major Srinagar street intersection, night curfews, frequent bombings and shootings. Human rights organizations say that Indian moops have brutalized the people of Kashmir through rapes, cations both internally and between capitals, in-adequate command and control of military op-erations and insufficient satellite surveillance of living in the Kashmir Valley, forcing many from their homes, and routinely threaten and exton money from the residents who remain.

According to human rights organizations, as Other victims have remained all hut invisible to or light bulbs.

the outside world, with low inteosity gun hattles erupting almost daily in remote, mountainous

Today, in the aftermath of the nuclear explosions on both sides of the border, Pakistani-controlled Kashmir is as tense as at any point in the last several years. For years now, the residents of Chokothi and other small villages that speckle the lush green mountainsides have endured nearly constant man chinegun fire, artillery barrages and occasional

Villagers describe a hellish lifestyle in their deceptively bucolic valley. A farm laborer said all 60 houses in his village have been ahandoned. Farmers complained that they have been unable to cultivate their fields for fear of being gunned down. Shopkeepers bemoaned their lack of business, noting that since many farmers could not plant their crops, families now have to money to spend in the tiny stalls that line the main street, many a 20,000 people have been killed since 1989. selling brightly colored fabrics, boxes of cookies

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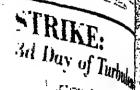
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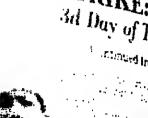
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The European Network' Strives for International Flavor

By Craig R. Whitney
New York Times Service

TRASBOURG -- Most Europeans still think of themselves as French, German, Italian, British or whatever first and Europeans second. Even the weather reports on the nightly television news to any country seldom report what is happening just across the border. So building a truly European public television station was a mighty challenge for Arte wben it started up six years ago.

Arte, a Franco-German cultural broadcasting channel based in this European city, now transmits cultural and public affairs programming in French and German by satellite to 50 million homes from North Africa and Israel to Scandinavia. The programming is produced by the French. German, Belgian, Swiss, Spanisb, Austrian and Polish partners.

Symbolically based in a Rhineland city claimed by both France and Ger- a truly European network," be said.

many over the centuries and last fought over in World War II, the Arte con-sortium has a budget of \$280 million, most of it provided from the television mx that France and Germany levy on all

The original French and German starions that set up Arte produce most of what it uses, hui it bas its own Spartan production facilities scattered over this Alsatian capital. The people who run it say they want to do for European cultural television what CNN and Britain's Sky News have done for commercial news television, but in a distinctively

European way.
"We said from the beginning that although we were a Franco-German enterprise, our future lay in Europe," said Hans Robert Eisenhauer, the stanon's deputy program director. "In the future, we'd like to be developing more extensive links with British producers at the BBC or Channel Four television, because without English you can't have

You probably can't do it by broad-casting only in the evening, either, as Arte has had to do because of limits on available broadcast time in Germany. There, Kinderkanal, a public channel for children, suddenly metamorphoses into grown-up Arte at 7 P.M. In France, as La Sept/Arte, it shares space until then with La Cinquieme, a public chan-nel with which it may eventually merge. In both countries, it continues until the

small hours of the morning.

Satellite and German cahle subscribers can zap onto either the French or the German soundtrack as they like, a possibility that French technology does not yet permit. But Arte is not for everybody. It had an average market share of 3.3 percent in France last year and only 0.6 percent in Germany, where more channels compete for viewer attention.

Officials of the station here take comfort from surveys showing that 27 million people of continental Europe watched regularly last year. Still, with more than 300 million European citizens,

there's obviously a long way to go.
"In both France and Germany today, there is far more national programming. particularly in movies, than there was 10 years ago," said Andreas Schreitmueller, who commissions movies for Arte and is German like Eisenhauer.

HEN European leaders de-fend European culture against the influx of Hollyentertainment, wood Schreimueller said, the result is the production of more French, German, Italian, etc. television movies and entertainment programs, not more "European" ones.

Arte tries for a more international flavor, for the end of this year, it has commissioned a series of hourlong films by African, European, Brazilian, Canadian and Taiwanese directors called "The Collection 2000 Seen by ..." What the films have in common, Schreitmueller said, is at least one scene dealing with the final minutes of the 20th century a year hence. For instance, Don McK-

ellar's Canadian entry, "Last Night," has the world end promptly with 1999. What we're always looking for is a

new perspective, a new way of looking at things," he said. "Internationalism is a big part of that."

All the movies Arte broadcasts have to be prepared with two soundtracks, in

French and German, or if in English,

with French and German subtitles. "We're also thinking of doing a 10week family soap series that would take place in the cities that have been designated European cultural capitals," Schreimmieller said. "One episode might play in Cracow, the next in Bo-

logna, the next in Avignon, in Santiago

de Compostela and so on," he said. Arte aspires to be cultural television, and high culture at that, but isn't afraid to poke fun at itself, particularly with its logos and promotion spots. One of them features an action possible of the spots of the features an actor posing as George Har-rison in Liverpool or Herbert von Ka-rajan in Bayrenth, always of course making a pitch for Arte programs, under the

slogan. "Arte looks at Europe, and Europe watches Arte." We bave a serious image, and

we have a serious image, and we want that, but we don't want to scare off people by making them think we're elinst." said Henri L'Hostis, who leads a team of graphic artists that produces Arte spots.

Three times a week, three, four or live consecutive evening programs are de-voted to aspects of a single subject. "Falsifications: Appearance and Reality" last January, for instance, started with Helmit Dietl's 1991 film "Schronk," a satire based on a Hitlerdiaries boax that fooled the weekly

magazine Stern, among others, in 1983.

The evening of fakery continued through two documentaries on Konrad Kujan, the counterfeiter who pulled off the diary fraud. It ended with a game that tested viewers own credulity, quizzing them and then giving the an-swers after a documentary that showed how easy it is to manipulate photographs and videotapes electronically.

A Triumphant 'Sly' in Zurich

By David Stevens

URICH - Never mind the Three Tenors. In a recent twoweek period the Zurich Opera had the Four Tenors on tap. something most impresarios can only dream of, but which here took place in the context of the busy schedule of a medium-sized repertory house. Luciano Pavarotti, Placido Domingo

and Alfredo Kraus passed through town quickly, but Jose Carreras took on a major career challenge, triumphantly so, in the title role of a new production of a real rarity, Ermanno Wolf-Ferrari's "Sly." Wolf-Ferrari is himself something of a

rarity. Tom between his paternal Munich and maternal Venice, with periods of refuge in Zurich in the two World Wars. he returned to his native Venice a "tired pilgrim," in the words of the plaque on the house where he died in 1948.

The composer is most characteristic in his five seitings of plays by Carlo Goldoni (a fellow Venetian of earlier vintage), in which his elegance and charm in writing for the voice and skill in handling the orchestra are winning.

"Sly" is a different matter altogether. First performed at La Scala in 1927. it is on one level a shot at verismo, but beyond that a real attempt at music drama. Giovacchino Forzano, Puccini's collaborator on "Gianni Schicchi," concocted the book from the brief, almost never performed "induction" to Shakespeare's "Taming of the Shrew,"

but much expanded. In Shakespeare, Christopher Sly is a tavem toper who is the victim of a nobleman's practical joke - be is taken dead drunk to the noble's castle and when he wakens is made to believe he is really the aristocratic owner of the premises who has been asleep for years.

In the opera the joke is developed and given a tragic twist. The character of Sly encompasses two literary-theatrical legends — that of the long-distance sleep-er awakened and that of the dissolute but gifted poet, not unlike Brecht's Baal. Dolly, the nobleman's girlfriend, pre-tends to be Sly's wife who has long awaited his reawakening, hut actually falls in love with him. But when the joke is over. Sly is thrown into the castle's dungeon and kills himself, unable to believe in her sincerity.

Despite the composer's adroit use of musical pastiche, this is an uncharacteristic work in which he seems to be speaking a different language. It requires a huge cast of drunks, servants, hangerson and various "duhious individuals." In short, it requires a real production,

There are four major roles, of which the tenor title part is at center stage most of the time, culminating in a daunting final act monologue. It is not a highranging part but it calls for real stamina, and Carreras carried it off heroically. Juan Pons was the formidably wicked

Earl of Westmoreland, author of the deadly prank; Daniela Dessi was the ambivalent Dolly, and Carlos Chausson was John Plake, an actor, fellow drinker and true believer in Sly's gifts as a poet. Rafael Fruehbeck de Burgos as the con-ductor made the most of a sometimes dense and difficult score.

The three acts include a tavern, a castle with an elaborate charade for the awakened Sly and a final dungeon scene. Hans Hollmann's staging, Hans Hoffer's sets and Dirk von Bodisco's rich costumes all made solid contributions in behalf of this little-known but solid piece of music theater.

But the Zurich Opera, with about 300 performances a season, does not live by novelnes alone. Alexander Pereira, the company's director, has to be and is skilled both at long-range artistic planning and at fielding emergencies.

At a marinee performance of Don-izetti's "L'Elisir d'Amore," the scheduled tenor was replaced by Reinaldo Ma-cias, a Cuban-born American, who won a well-earned triumph, along with Isabel Rey as Adina, Angelo Veccia as Belcore and Chausson the adroit Dulcamara.

Another house tenor, the Bulgarian Boiko Zvetanov, was impressive in a double-bill that paired "Pagliacci" and Puccini's "Le Villi," an early work based on the same material as the ballet "Giselle," with the tenor danced to death by the spirits of girls abandoned

New York Times Service

Zeskind, 48, is among the 29 new MacArthur Fellows

Winners cannot nominate themselves. A group of 100

In addition to Zeskind, the fellows for 1998 are:

human labor, \$235,000.

Darothy Thomas, 38, New York, a human rights advacate and women's rights

Many Zimmerman, 37, Evanston, Illinois, a director and playwright who adapts seemingly untheatrical source material from classic world literature,



David Burke, Sara Kestelman and Matthew Marsh in Michael Frayn's "Copenhagen" at the National Theatre.

Frayn and the Birth of the Bomb

By Sheridan Morley

International Herald Tribune ONDON - With unnerving topicality, the National Theatre remiere of Michael Frayn's "Copenhagen" opened within hours of the news that Pakistan had flexed its nuclear muscle: a publicist would have been hard-pressed to find a readline better suited to the theme of this difficult, demanding (of actors and audiences alike) study of the birth of atomic physics and the balance of world power that was irrevocably shifted hy its

application in 1945. Frayn's parmership with the director Michael Blakemore, over six plays and almost 30 years, has given us the classic backstage farce "Noises Off" among much else, but never anything quite so demanding or in the end powerfully rewarding as this. We have only three characters on a hare, circular, white set: all are real-life, though Frayn acknowledges that this is in no sense a documentary and that their dialogue, their motives, even maybe some of their en-

counters, are of his own invention. The three are the German physicist Werner Heisenberg (Matthew Marsh), his friend and mentor and sometime rival Niels Bohr (David Burke in the performance of the evening) and Bohr's wife (Sara Kestelman), who at the last

seemingly obscure scientific develop-

To have wrinen a debate that is also a thriller, and an examination of the painful birth of atomic physics is a considerable achievement, albeit one that works on so many levels that there are moments of inevitable collision. At one of these levels. "Copenhagen"

is about the fact that only one (possibly deliberate) failure of calculation stopped Germany from getting to the atom bomb three years before LONDON Hiroshima; at another, it is THEATER about the constant struggle between pure science and impure, ambitious, self-serving scien-tists; at yet a third, it is about two men whose passion for their subject overrides any human relation-

ship either has ever known. Elsewhere, it is somewhat ironic that the Barbican Arts Centre should at last have begun to acquire an identity and excitement all its own only as the Royal Shakespeare Company pulls out and leaves it for much of the year to other occupants. Moreover, "Love's Fire" by the Acting Company, one of the United States' most distinguished and innovative groups of players, offers something so quintessentially Shake-spearean that the RSC, forever desperately trying to find contemporary rel-evance in the Bard, should have thought

give each one to a major dramatist and see what brief sketches they can weave around them. Inevitably some of these work better than others, notably Wendy Wasserstein's brilliantly acid Manhattan cockail party to illustrate the verse about festering lilies smelling far worse, than weeds. William Fign (of "Falsettos") contributes a moving mini-musical, and Tony Kushner has a Woody Allenish parody of psychoanalysis at its

most neurotic. On the downside is a disappointing John Guare lurch back to the "Hair" y '60s, but a powerful company under Mark Lamos's agile direction is hugely welcome over here.

And finally, the Orange Tree at Richmond revisits Kander and Ebb's 1984 musical "The Rink." John Gardyne has come up with a brilliantly new staging on a space so small that the roller-skating arena seems to

have been built in downtown Lilliput. Gay Soper and Gillian Kirkpatrick slug out the mother-versus-danghter plot, such as it is in Terrence McNally's uncharacteristically shaky book, but song after song soars out of this lament for the long-lost fairground world of colored lights and boardwalks. "The Rink" may never achieve the success of the same team's "Cabaret" or "Chicago," but its magical, heartbreaking score remains one of the greatest of recent years, and the definition of Kander and Ebb at their

29 Win Grants From MacArthur NEW YORK — Leonard Zeskind of Kansas City, Missouri, has been working for 20 years to increase awareness of hate groups, and in 1983 he founded the Institute for Research and Education on Human Rights. Now, with a \$295,000 windfall as a MacArthur Fellow, he hopes to complete his book on the white supremacist movement in the United States. announced Monday by the John D. and Catherine T. Mac Arthur Foundation of Chicago, which awards stipends to innovators to liberate them from financial constraints. or more anonymous people chosen each year from a wide range of fields nominate potential recipients to the foundation's directors, who select the winners. The program began in 1981. Janine Antoni, 34, New York, on artist who mixes traditional sculpture and conceptual art, \$225,000. lda Applebroog, 68, New York, a painter and social critic, \$375,000. Ellen Barry, 44, Ooldand, California, director and managing afformer of Legal Services for Prisoners With Children, \$275,000. Tim Berners-Lee, 43. Lexington, Mossochusetts, who conceived and developed life World Wide Web, \$270,000. Linda Blerds, 53, Bainbridge Island, Washington, a poet of historically detailed work, \$520,000. Bemadete Broaten, 47, Combridge, Massachusetts, a professor of religion who has provided new interpretations of patterns of power, social structure and marality in ancient communities, \$290,000. WRITE • DIRECT John Carlstrom. 41, Chicago, an astrophysicist who designs, builds and uses instruments to save astronomical problems, \$260,000. Mike Davis, 52: Pasadena, California, a historian who writes an urban, political, environmental and social Issues, \$315,000. Nancy Folbre, 45, Mantague, Massachusetts, an economist who explores how nonmarket production contributes to community development and economic arounts. \$390,000. SHOOT - EDIT nonmarket production contributes to community geveropment and economic growth, \$290,000. Avner Greif, 42. Stanford, California, an economist who uses game theory to study beliefs and institutions, \$265,000. Kun-Liang Guan, 35. Ann Arbar, Michigan, a biochemist whose research has helped to explain how cells regulate internal processes and haw they respond to external conditions, \$230,000. your own short films in our hands-on eight week intensive filmmaking workshops for individuals with little or no prior filmmaking experience. Gary Hill. 47. Seattle, a video artist who has helped define his generation, Shoot your films with 16mm Arriflex Edward Hirsch, 48. Houston, a poet and essayist, \$295,000. cameras in small classes designed Ayesha Jalal. 42, New York, a historian whose books have illuminated the history and culture of Pakistan and India, \$265,000. and taught by award-winning instructors. Charles Johnson, 50, Seattle, a novelist, short-story writer, essayist, cartoonist and screenwriter whose works address fundamental philosophical ques-**SUMMER 1998** Lean Krubitzer, 37. Davis, California, a neuroscientist whose studies have helped explain the relationship between brain organization and function, 4, 6 & 8 Week Workshops Stewart Kwoh, 49, Los Angeles, a lawyer and human rights leader for the area's Asian population, 5300.000. Asian population, \$300.000. Asian population, \$300.000. Charies Lewis, 44, Alexandria, Virginia, founder and executive director of the Center for Public Integrity, a nonprofit organization that produces booklength reparts an such lasues and organizations as ciriline safety, the Forest Service and the chemical industry, \$275,000. NEW YORK FILM ACADEMY New York City PRINCETON UNIVERSITY Princeton, NJ William McDonald, 46, Oaugkas, Artzona, a cattle rancher who is leading efforts to create ecologically responsible cooperation among government, con-servationists, scientists and ranchers, \$285,000. YALE UNIVERSITY New Haven, CT Peter Miller, 33, Berlin, a German schalar of early modern European in-tellectual history, 5220,000. Don Mitchell, 36, Syracuse, New York, a cultural geographer whose studies illustrate how landscape is frequently a social construction influenced by SORBONNE UNIVERSITY _____ Paris, France CAMBRIDGE UNIVERSITY ... Cambridge, England human labor, \$235,080. Rebecca Nelson, 37, Lima, Peru, a plant pathologist concerned with the protection of stople food crops in underdeveloped countries, \$240,000. Ellinor Ochs, 53, Pacific Patisades, California, a linguistic arrimpologist who has made major contributions to linguistics, science studies, sociocultural anthropology and psychology, \$320,000. Ishmael Reed, 60, Oakland, California, a novelist, playwright, post and publisher of the works of minarity authors, \$365,000. Benjamin Santer, 43, Livermore, California, an atmospheric scientist whose research supports the finding that human activity contributes to global warming, \$270,000. the most intensive hands-on program of its kind in the world 8 & 4 WEEK WORKSHOPS START THE FIRST MONDAY OF EVERY MONTH IN NEW YORK CITY Karl Sims, 34, Cambridge, Massochusetts, a computer scientist and planeer in the field of computational evolution, \$235,000.

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awakens the two men to their true selves of it years ago. and to the real consequences of their Take seven of Shakespeare's sonnets, considerable bittersweet best.

Prediction Rings True in Dresden

By George W. Loomis

Dresden Music Festival began seemed to bave the complex score seomed in 1978, Herbert von Karajan predicted it would be one of the bandful of music festival's other new opera, offered more festival's other new opera, offered more festival's other new opera, offered more festival to the complex score second to bave the complex sc

full houses and much to choose from. Connections with the Saxoo State Opera insure international-caliber opera, while the festival's own events embrace everything from period-instruments to the latest contemporary scores.

Matthias Pintscher's "Thomas Chatterton," given its world premiere hy the SSO, is the latest opera to address homoerotic love. Chatterton was an 18-yearold English writer who passed off his work as that of a fictitious monk and, once discovered, committed suicide. But the opera is as much about his relationship with his lovers (who happeo to

be brothers) as his artistic quandary.
The 27-year-old Pintscher, a student of Hans Werner Henze and Manfred Trojahn, bas mastered the high-strung style of modern musical Expressionism with dazzling brilliance, but channeling it into effective musico-dramatic discourse posed a challenge not always met. Even the more ecstatic moments could out entirely sbake the prevailing gloom.

figure. Matthias Klink projected clearly and Tchaikovsky appeared as guest con-in the dual role of the brothers, and ductors. Annetie Jahns impressed as Thomas's RESDEN — When the beleaguered mother. Marc Alhrecht

Festivals fortune would favor.

Perhaps it was just an exercise in EastWest diplomacy, but his prognostication was on target. Under Michael Hampe, director since 1994, the two-week festival observes its 20th anniversary with full houses and much to choose from the way of sheer enjoyment. The male alto Alex Kahler, who took the fitle role of the 18th-century castrato singer, also offered an engaging program of songs, enjoyment to the male alto Alex Kahler, who took the fitle role of the 18th-century castrato singer, also offered an engaging program of songs, enjoyment. The male alto Alex Kahler, who took the fitle role of the way of sheer enjoyment. The male alto Alex Kahler, who took the fitle role of the 18th-century castrato singer, also offered an engaging program of songs, enjoyment. The male alto Alex Kahler, who took the fitle role of the 18th-century castrato singer, also offered an engaging program of songs, enjoyment. The male alto Alex Kahler, who took the fitle role of the 18th-century castrato singer, also offered an engaging program of songs, enjoyment. The male alto Alex Kahler, who took the fitle role of the 18th-century castrato singer, also offered an engaging program of songs. place in the rebuilt crypt of the Frauenkirche, the colossal domed church that was demolished during the war. Reconstruction of the entire edifice is expected by 2006; in the meantime, its original stones pariently await reassembly on steel racks stretched across the Neumarkt.

The task may seem next to impossible, but one can only be optimistic given the magnificence of the re-huilt Semper Op-era House, to which the SSO returned in 1985. Udo Samel's new production of 'Aida'' had all Dresden talking about a new cast member, a crocodile in the Nile Scene. Samel transformed the action into a modern, Middle Eastern conflict. Yet the essence of Verdi's opera (with Michele Crider and Ulla Sippola among

sets seemed so apt. The SSO's excellent orchestra supplies personnel for the renowned Staat-Marco Arturo Marelli's striking pro-duction set the action in a skewed reciangular box. As Thomas, Urban Malmits past glory, which included a year berg cut a shiftless, Wozzeck-like (1888) when Brahms, Dvorak, Strauss based in St. Petersburg.

Dresden observes that fine tradition of scheduling orchestral concerts at 11 A.M., and the Philharmonic's handsomely spacious performance of Schubert's 'Great Symphony' under Jeffrey Tate was just right for the occasion. Early opera profited this year from the conductor Stephen Stubbs's diligence in ferreting out versions of the Orpheus myth. Having taken Luigi Rossi's "Orfeo" to Boston and Drottningholm last year, he turned to Antonio Sartorio's version from 1672.

HOSE expecting a Gluck-like economy of means were in for a surprise, for Sartorio's opera (performed in concert) has all the accouterments of Venetian opera. including comic scenes, plus much of the mythical background. Orfeo loses Euridice for good following his ill-considered glance, but a partially happy ending materializes when his brother (also smitten by Euridice) yields to the entrearies of another.

The many arias are striking for their lush string textures and sprightly rhythms, all realized by Stubbs and his Teatro Lyrico with consummate style. Suzie le Blanc's enchanting Euridice headed the fine cast.

Hampe will leave the festival in 2000 to devote more time to directing operas.

By selecting Martin y Soler's "Una
Cosa Rara" for his penultimate season next year, he promises another installment in his exemplary series of operas hy Mozart's contemporaries.

George W. Loomis is a music writer

حكذا من الاجل

BUSINESS/FINANCE

Japan Says Strong Yen's Era Is Over

But Sakakibara Warns Against a Weak Currency

Compiled by Our Staff From Disputches TOKYO — Deputy Finance Minister Eisuke Sakakibara said Tuesday that he thought the days of a strong Japanese

currency were over.

"The trend of the strong yen is finished," said Mr. Sakakibara, known as "Mr. Yen" for his apparent influence over the currency markets.

Rut he repeated the poet regular of

But he repeated the now regular of-ficial line that a weak yen was not

"Excessive falls in the yen are undesirable," he told a symposium of the Institute for International Monetary Afficiant Television

Institute for International Monetary Affairs in Tokyo.

"It is important to correct foreign exchange imbalances in Southeast and East Asia through the internationalization of the yen," he said

The dollar was trading at 138.695 yen at 4 P.M. in New York, down from 139.650 yen on Monday.

Meanwhile, Finance Minister Hikaru Matsunaga said he was "stroogly" con-

Matsunaga said he was "stroogly" con-cerned by the yen's weakness. "We will

take determined action at the appro-priate time," he said. Despite the yen's slump, Mr. Sakakibara said Japan's record stimulus

spending package, unveiled in April and worth \$125 hillion, would pull the country's economy out of crisis.

"The Japanese government has already done or is doing what it should do and the perception of the recovery is very likely to change," he said. He ruled out future tax cuts

out future tax cuts. Separately, Japanese companies that bave rushed to set up overseas factories may need to rethink that strategy if the dollar climbs much further against the

yen, executives and analysts said. "The yen's fall means a fall in cred-ibility in Japan," a Sony spokesman said. "We are concerned about the economy and also concerned that any further boost in our exports could rekindle trade friction with the United States."

The yeo's recewed weakness is still a booo for Japanese exporters, helping them to weather stagnant sales at home and in Asia. (AFP, Reuters)

Peter Schwertz foresees a "long boom" of growth driven by technology. Here ere some of its ingredients: By 2005, phone and high-speed Internet access for everyone.

By 2010, gene therapies to reverse aging. By 2015, simultensous language translation, made possible by computer chips 100 times more powerful than today's.

By 2020, the death of the internal combustion engine. Cars are powered by hydrogen fuel cells.



Though often prescient, Peter Schwartz has also misread the future:

In 1981, he was an author of e book that assumed oil prices were on their way to \$85 a barrel. in the early 1980s, he was too gloomy about the prospects for the American economy. He failed to understand the entrepreneurial impact of the PC

In 1994, he missed the Mexican financial crisis. He was the host of a conference on Mexico's future a few weeks before but did not consider the possibility.

A Firm Run on a Positive Outlook

Futurist Who Foresees 'Long Boom' Draws Clients to Consultancy

By Steve Lohr New York Times Service

AN FRANCISCO — Peter Schwartz is a professional marketer of big, brow-furrowing ideas. By 2020, be says, the internal combustion engine will probably bave gone the way of the dodo hird as conventional automobiles are replaced by hybrid cars powered by fuel cells that mostly use hydrogen.

A telecommunications revolution, Mr. Schwartz believes, is coming even sooner. Thanks to big satellite projects, connections for high-speed Internet, telephone and video will be commonplace in six years or so.

The world will be wired, inexpensively. By 2005, teen-agers in villages in developing countries will be chatting oo video phooes as they surf the Net.

By 2010, Mr. Schwartz predicts, breakthronghs in biotechnology, and

breakthroughs in biotechnology, and gene therapy may enable science to reverse aging and extend life. The prospect bere, he insists, is out merely a prolonged old age hat living for decades in ooe's hiological 40s.

Yet these are mere ingredients of Mr. Schwartz's biggest idea, which be calls the "Loog Boom." Its thesis is that the world is witnessing what Mr. Schwartz calls "the beginnings of a global ecocomic boom on a scale oever experienced before," driven by

waves of fundamental technological change and free-market economics.

The Long Boom, which he sees running through about 2020, is a visioo of almost unabashed technological optimism about the future from Mr. Schwartz, a leading futurist and chairman of the Global Business Net-

INTERNATIONAL MANAGER

work, a research and consulting firm. His manifesto first appeared as a cover story last summer in Wired magazine, whose pages generally celebrate the virtues of technology. Ever since, he has found himself at

the center of a spirited debate about technology and the future. Bearded, affable and articulate, Mr. Schwartz is a skillful salesman who bas woo supporters for his amhitious idea, but he has been roundly criticized as well.

In March, a loose-knit group calling itself the "Technorealism Project" emerged. Tenets posted on its Web site, at www.technorealism.org, include the assertion, "The Internet is

revoludonary, not utopian."

Andrew Shapiro, a fellow at the Harvard Law School's Center for the Internet and Society and a founder of the Technorealism Project, said, "We're inst skeptical of the kind of sheer boosterism that Peter Schwartz is promoting."

Mr. Schwartz recently debated the merits of the Long Boom with Daniel Yankelovich, the public opinion analyst and president of Public Agenda, a research organization, at a conference in San Diego. In Mr. Yankelovich's view, the Long Bonm betrays a "remarkable naïvete" not only about technology but also about the working

"The market is great at distributing economic goodies," Mr. Yankelovich said, "but it doesn't have all these moral virtues that Peter Schwartz at-

As a futurist, Mr. Schwartz has impressive credentials. An alumnus of the Stanford Research Institute, now SRI International, be led a planning team at the Royal Dutch/Shell Group in London from 1982 to 1986. One of three possibilioes drawn up in 1982 by Mr. Schwartz and his team was that oil prices would collapse.

That possibility was taken seriously hy Shell's senior management, which hy Shell's senior management, which piled up cash to prepare. After prices fell precipitously, Shell began a \$3.5 billion bnying spree in 1986, snapping up oilfields and locking in a long-term cost advantage over most of its rivals. The Shell legacy gave Mr. Schwartz and four colleagues a head start in attracting corporate clients when they

See FUTURIST, Page 17

Indonesia Plunges Toward Recession

First-Quarter GDP Drops 6.2% From 1997

JAKARTA — Indonesia is headed for its first recession in more than three decades as the collapse of the rupiah and surging interest rates slow domestic business, the central bank said Tnesday.

Gross domestic product cootracted 6.2 percent in the first quarter from the year-earlier period. It fell 8.5 percent from the previous quarter, the Central Bureau of Statistics said. It was the first time Indonesia had released quarterly

GDP figures.

The shrinking economy is pushing unemployment up sharply, the country's manpower minister said. Fahmi Idris said unemployment this year would hit 15.4 million — 17.1 percent of Indonesia's 90 million work force. The forecast was revised up from a previous projection of 13.4 million.

Sugito Suwito, chairman of the Central Bureau of Statistics, said Monday that he expected the economy to shrink 10.1 percent this year, with inflation rising between 80 percent and 85 percent and even breaching 100 percent if Indonesia saw a repeat of the riots that ravaged Jakarta in May.

The bureau said the infladou rate in May was 5.24 percent, bringing the

May was 5.24 percent, bringing the year-on-year rate to around 52 percent. For many Indonesians, from the swelling ranks of the country's unem-

ployed to its largest corporations, life is getting harder. Quickening inflatioo is sapping spending power and eroding the value of savings.

Although the economies of other Asian countries are also shrinking—

Hong Kong's GDP shrank 2 percent in the first quarter, while Malaysia's contracted 1.8 percent — Indooesia's out-

look is the grimmest.

President B.J. Habibie called for naptional unity to help the country weather the ecocomic storm.

"We must be aware that each 1 per-cent contraction in the economy will cost hundreds of thousands of jobs," he told a delegation of religious leaders. "There-fore, we must think how we can overcome the problems of development."

Indonesia's latest hudget, agreed with the International Monetary Fund in April. projected an economic contraction of 5 percent in 1998, inflation of 45 percent and a repial rate of 6,000 to the dollar. But the IMF says these targets now need to be redrawn. On Tuesday, the dollar was at 11,850 rupiah, up from 11,650 Monday.

Stanley Fischer, the IMF's firstdeputy managing director, said in Tokyo that loans under a \$43 billion rescue plan could resume after the Fundhad considered a report due to be presented by a review team "in a couple

He said most reforms demanded by the IMF would remain, but the economic targets in the program would be

Loan payments were put on hold pending a review of Indonesia's political and economic situation following weeks of social unrest that led to President Subarto's replacement by Mr. Habihie on May 21.

The relentless decline in the rupiah and the continued high interest rates are casting a shadow over negotiations between Indonesian debtors and international banks on new repayment terms for the more than \$78 billion Indonesian companies owe internacionally. Bankers and Indonesian officials are meeting in Frankfurt this week to talk. about the problem. As with two earlier rounds of talks, this one has reported no

progress.

The curreocy's decline in the past year has caused the rupiah value of companies' foreign debt to quadruple.

"There's no business activity going on at all," said Jimmy Koh, a regional economist at Independent Economic Analysis.
Holdings Ltd. in Singapore.

A full-blown recession — two con-

A full-blown recession — two con-secutive quarters of economic contrac-

tion — is a foregone conclusion.

"In another six to 12 months, we'll likely see the corporate sector being hit barder by the turmoil," said Andy Tan-an economist at research firm MMS International in Singapore.

Big companies like the automaker PT-Astra International and the domesoc. phooe monopoly PT Telkom bave re-ported losses in recent weeks, and anaysts are worried that companies will not generate enough cash to meet payrolls and continue production. With interest rates at more than 60 percent, borrowing

(Reuters, Bloomberg)

Did Buffett Make Wrong Bet on Silver?

* A Sharp Fall in Prices Makes Much-Heralded Investment Look Ill-Advised

By Jonathan Fuerbringer New York Times Service

NEW YORK — One of the most beralded investment bets of the last year - Warreo Buffett's purchase of almost 130 million ounces of silver - now

appears to be a mooey loser.

The price of silver in the last week has dropped close to \$5 an ounce, bringing it significantly below the average price of Mr. Buffett's silver purchases. By one calculation, he now has a paper loss of at least \$14.1 million, a 2.1 percent decline in the value of his entire silver invest-

In the 1997 annual report for Berkshire Hathaway Inc. his invest-ment vehicle, he said he bad a profit of \$97.4 million on his silver investment as

of the end of last year.
For Mr. Buffett, these losses are no more significant in his portfolio than his bridge losses. But they have been far more painful for the investors who like to follow Mr. Buffett wherever be

When he announced his silver investment after the close of the markets oo Feb. 3, the price of silver oo the Comex division of the New York Mer-cantile Exchange had already soared to \$6.615 an ounce, 53 percent higher than it was on July 25, when Mr. Buffett began accumulating the metal. The price quickly shot as high as \$7.40 an ounce in intraday trading on Feb. 5. Then the hangover began to set in.

By Feh. 17, the closing price of silver

had fallen below \$7 an onnce; it then

bounced around between \$6.50 an ounce and \$6 an ounce until the beginning of May. Since then the price has gone only south. In late trading Tuesday, silver was quoted ar \$5.1680 an ounce, up 11.3 cents.

An investor who bought a 5,000-ounce silver contract at the lowest intraday price on Feb. 4, the day after the Buffett announcement, paid \$33,550. At Tuesday's price, that contract was worth \$25,840, a drop of 22.8 percent.

"The people wbo have gone along with him are feeling reasonably bruised by the experience," said Dinsa Mehta, the managing director for global commodities at Chase Manhattan Bank "They don't have his staying power, and they don't have his portfolio di-

It is not clear if Mr. Buffett has actually lost any money. The calculations of the current value of his investment do oot assume he has sold any silver or lent any of it out to traders or others who needed silver.

There have been rumors that he sold silver, but be has refused to comment on that. He did say at his company's annual meeting in the beginning of May that he had lent silver, which would bring in a little income. He said that it was only a "small" amount but gave no figures. These calculations also do not in-

clude Mr. Buffett's cost of storage for the silver he bought.

The current value of the Buffett boldings are based on the Berkshire Hath-

away annual report for 1997. At the time he announced the silver

Libid-Libor Rates

Key Money Rates

purchase, Mr. Buffett said its total value amounted to less than 2 percent of Berkshire Hathaway's investment port-

He bought cootrol of 111.2 million ounces of silver in 1997. The value at the end of the year was \$665.87 million based on the Dec. 31 closing price. Subtracting a profit of \$97.4 million, leaves \$568.47 million as the cost of his investment of \$55.112 and \$100.000. investment, or an average of \$5.112 an ounce. At Monday's closing price of \$5.055 an ounce, the loss is \$6.35 mil-

The price of the 18.5 million ounces of silver he bought by Jan. 12, 1998, is not known. But Mr. Buffett has said his last purchase was on Jan. 12, when the price was \$5.475, the lowest price of the

Assuming be bought all 18.5 million ounces at this price, his loss on this silver is now \$7.77 million. If he bought some of the 18.5 million ounces earlier in 1998, his loss would be larger. At the average price from Jan. 2 to Jan. 12, his loss is \$14.43 million.

This means his paper loss ranges from \$14.1 million to \$28.5 million. More heartening for investors who

are facing losses at the moment, Mr. Buffett seemed to reaffirm his confidence in the outlook for silver at the annual meeting, as he repeated his reason for buying it: "We thought that the figures on production and demand were such that it would require a higher price to establish equilibrium." But Mr. Buffett is not the type to op off what he is

Global Private Banking

Wealth that took a lifetime TO BUILD SHOULD BE TREATED WITH THE PROPER RESPECT.



At Republic National Bank we believe that hard earned wealth deserves to be nurtured and preserved. And so we run our bank according to one fundamental principle: to protect our clients' capital as we safeguard its purchasing power.

It is a simple principle upon which we base our brand of financial conservatism: private banking built upon rigor, discipline and prudence.

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vigorously pursued, has created a global private bank of exceptional stability, capable of weathering the roughest storms.

adjusted basis, is twice as great as that required by the world's international banking regulators. To our way of thinking, it is security as well as

Indeed, Republic's capitalization ratio, on a risk

return that we must ensure each day. And in the pro- cess, to provide a unique quality of service, understanding and discretion.



Republic National Bank of

7% 7% 7% 7% 7% 7% 5,66

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Republic National Bank of New York, 1963.

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Other Dollar Values

137.39 1.4695

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n.s. 291.25 —2.25 289.20 291.45 +2.70 287.40 290.60 +2.70



Tyco International Ltd. will buy Sigma Circuits Inc., a maker of circuits and circuit boards, for \$71.8 million in cash

and assumed debt, expanding the electronics line of the maker

• Amoco Corp. and its partners, Repsol SA, BG PLC and

Cabot Corp., will quadruple their investment in a plant in Trinidad and Tobago, to \$4 billioo, if the government ap-

proves two liquefied natural gas export contracts with Spain.

• The National Labor Relations Board will rule oo a request

by two McDonald's Corp. workers to allow a unionization

vote at one of the chain's restaurants in suburban Cleveland.

• Brazil's unemployment rate fell to 7.94 percent in April

• The Federal Trade Commission's top litigator has re-

commended that the commission sue Intel for alleged antitrust

• Xerox Corp. plans to spend \$270 millioo to build a color-

toner plant in Ireland and consolidate its more than 50

· American Standard Cos. plans to shut an air-conditioner

plant in Texas, eliminating 250 jobs, and move operations to

NEC to Build a Chip Plant in U.S.

TOKYO — NEC Corp. annouoced Tuesday that it would invest \$1.4 billion over a four-year period to build a next-generation chip plant in the United States before establishing

NEC said the new plant would be in California and would

The decision breaks with tradition among Japanese compa-

nies, which prefer to set up factories at bome before venturing

abroad. The new plant is expected to begin operations in 2002

manufacture high-density semiconductor products.

of medical supplies and security systems.

from 8.18 percent in March, a 14-year high.

violations, sources familiar with the case said.

European service centers into offices there.

Mexico to lower labor costs.

NEW YORK — Sprint Corp. raised the stakes in the telecommunications wars Tuesday, offering customers the chance to simultaneously talk on the phone, receive faxes and connect with the Internet

using a single phone line.

The No. 3 U.S. long-distance phone company said it expected the service to eliminate the need for customers to have multiple phone lines. Sprint said the oew network, de-

veloped at a cost of more than \$2 billion over five years, can reduce the cost of delivering a typical voice call by 70 percent, compared with existing networks. It can also provide full-motion video calls and conference calls at a cost less than that of a typical long-distance call,

dollar, unlimited-bandwidth network in the same monthly price range that many customers spend today for communications services," said William Esrey, the

chairman and chief executive.

The introduction of the service comes as phone companies race to faster speeds. The network, called should be available to residential Integrated On-Demand Network, users in late 1999. Sprint said it will allow users to access the In-ternet at speeds up to 100 times in 36 major markets this year and a faster than a typical modern, the total of 60 markets next year.

year. U S West announced in early May that it would introduce highspeed Internet access using asymmetrical digital subscriber lines in 40 cities.

Sprint said its new service results Sprint shares closed 50 cents advances rather than a single techhigher at 72,4375 on the New York nology and results from five years of confidential work.

It expects to start making the service available to large businesses allow customers to send and receive this year and expand it to businesses data and other transmissions at of all sizes by the middle of 1999. It

reference calls at a cost less than tof a typical long-distance call, rint said.

Company said.

Company said.

Two weeks ago, BellSouth Corp. said it would offer high-speed Incommunications can do in our bornes ternet access in 30 cities by next and businesses," Mr. Esrey said.

The network is based on Cisco Systems Inc. hardware and uses software from Science Applications International Corp.'s Bellcore.

Sprint, which trails AT&T Corp. and MCl Communications Corp. in from a combination of technological the long-distance business, is the first to announce a new system on such a large scale.

There have long been promises of full-service networks offering everything from video on demand, electronic shopping and more. But telephone companies need greater capacity and more efficient transmission technologies to send the buge amount of data.

Carriers now use different transmission technologies for voice and data. Experts said an integrated network is needed to combine voice, video and data and pipe them over the same lines. (AP, Bloomberg)

Sprint Offers Phone, Fax and Net on 1 Line Jitters Halt Dollar's Gain Against Yen

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NEW YORK - The dollar slipped against the yen Tuesday, after four days of gains, limited by nervousness that Groop of Seven officials meeting next week might discuss the yen's sharp fall.

'It's in the G-7's interest to stabilize the dollar-yen rate," said Gerard Lyons, chief economist at DKB International in London. Yen weakness puts pressure on other Asian currencies, and the last thing they want to do is trigger another round of currency devalu-

ations in Asia." Japanese officials said deputy finance ministers of the group of leading industrialized nations were

FOREIGN EXCHANGE

to meet in Paris next week to discuss currency movements and Russia, sparking speculation among traders that the officials might agree on international support for the beleaguered Japanese currency.

In 4 P.M. trading, the dollar fell to 138.695 yen from 139.650 Monday, but analysts said some profittaking was in order after the dollar's climb in recent weeks.

'We're due for a correction anyway," said Michael Rosenberg global currency strategist at Merrill vnch, "so I would not be surprised with or without intervention to see the dollar dip to 136 or 135 yen."

He added that the market bad been getting increasingly oervous as the dollar oeared the psycbological barrier of 140 yen, with many fearing interventioo above

The dollar was slightly higher against the Deutsche mark, at 1.7805 DM from 1.7784 DM, underpinned by the 5.2 percent jump in U.S. bome sales in April to a record high.

Saying the United States "shares" Japan's concerns about the decline in the value of the yen, Treasury Secretary Robert Rubin confirmed that the G-7 meeting would discuss Russia but declined to say whether Washingtoo wanted to discuss the falling yeo at the Paris

Against other curreocies, the dollar rose to 5.9700 French francs from 5.9645 francs and to 1.4800 Swiss francs from 1.4762 francs.

The pound slipped to \$1.6384

Stocks Mixed as Technology Issues Rebound

Compiled by Our Stuff From Disparches NEW YORK - Stocks were mixed Tuesday as concern that share prices were oot justified by expected earnings for companies

offset a rally in computer stocks. The Dow Jones industrial average

closed 31.13 points lower at 8,891,24 Bnt the Standard & Poor's 500

Index rose 2.05 points, to 1.093.03, and the technology-heavy Nasdaq composite index climbed 14:97 points, to 1,761.79. Advancing stocks led decliners by a 10-to-9 ratio on the New York Stock Exchange.

Computer-related stocks mostly rose, a day after a slide in Asian markets and reaction to Intel's delay of a new microprocessor sent them tumbling.

Intel rose 114 to 6914, and Dell Computer gained 4 5/16 to 821/8. Those two stocks were the most active issues. Oracle gained 11/2 to 24 5/16, and Microsoft jumped 2 to

I am a bull on technology stocks. longer term," said Joe Keating, chief investment officer of the Kent Funds. When inflation is low, the main way to increase profits is to become more efficient and productive, he said, 'and the only way to do that is to turn to technological solotions."

Investors have been in a tug of war since the eod of the first quarter that has left market indexes little changed. Traders and investors are debating how much Asia's slowing economies and weak currencies will cut U.S. corporate profits.

Bullish investors say the market's gains are justified.

"It's really a good environment ported that new-home sales in to 47 3/16, leading decliners in the for U.S. stocks right now," said jumped 5.2 percent to a record in S&P 500, a day after the company Jeffrey Eglow, chief investment of April, while the Conference Board ficer at Highlander Capital Man-agement LLC in Parsippany, New gauge of future economic activity that will depress American Home's Jersey. As Asia slumps, investors rose 0.1 percent in April, compared

U.S. STOCKS

worldwide are turning to the United States, be said, where the economy is growing and interest rates are

The benchmark 30-year Treasury bond fell 7/32, to 104 18/32, increasing its yield to 5.79 percent from 5.78 percent.

The Commerce Department re-

with a 0.2 percent gain a month year in which it is completed. earlier and its fourth consecutive

211/16 to 55 9/16 as investors Chrysler, which reported a 27 percent sales increase over May 1997.

fell 1/16 to 55 13/16. American Home Products fell 2

agreed to link up with Monsanto in a earnings by up to 15 percent in the Campbell Soup rose 1 to 55%

after it announced a new stock-buy-Meanwhile, GM rose 1 15/16 to back plan, for as much as \$2 billion, 73 1/16, and Ford Motor jumped and said Chairman David Johnson would remain in that post through bought before the companies report July 1999, a year beyond his sched-May sales results Wednesday, uled departure.

Big international banks gained

after markets in Japan and Russia recovered from losses Monday.

Goldman, Sachs Considers Going Public

By Robert O'Harrow Jr. Washington Post Service

NEW YORK - Goldman, Sachs & Co. may begin selling shares to the public this year, a move that would help Wall Street's last major private partnership raise cash for other acquisitions.

The proposal for the 130-yearoers agreed they would eodorse it public.] at a June 12 meeting. In an address to company employees Mooday morning, the chairman and chief Mr. Corzine said Henry Paulsoo executive of Goldman, Jon Cor- Jr., the firm's president and chief vogue on Wall Street.

zine, suggested a decision was im-minent. "The consideration of this issue will quickly come to a head," Mr. Corzine said, according to officials who beard him speak.

Partners will talk about going public at their annual meeting June 12 and may vote oo a stock offering, Bloomberg News reported. The partners could be worth an old investment firm to go public average of \$76 million each if the this year, gained momentum over the week-nation's biggest investment bank-Goldm end, when senior Goldman part- ing partnership sells shares to the

In what company officials said was an unrelated annouocement,

June 2, 1998

High Low Latest Chae Opent

operating officer, would become co-chairman and co-chief execu-

an initial public offering has been discussed for months, largely in response to mergers by Morgan Stanley Group and Dean Witter Reynolds Inc. last year, and by the Travelers Group Inc. and Citicorp

Goldman officials reason that they will oeed to raise cash to make similar deals - and also would oeed publicly traded shares if they preferred to make purchases through stock swaps, the current

from \$1.6412. (Bridge News, Bloomberg)

Tuesday's 4 P.M. Close

and generate 700 jobs.

Very briefly:

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U. S. STOCK MARKET DIARY

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INTERNATIONAL FUTURES

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Industrials
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CC 98 75.25 74.00 74.00 0
Duc 98 74.65 74.60 74.10 0
May 99 75.35 74.70 74.90 0
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Marrs open lai 86.874 up 5.100

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EUROPE

Ine Jitters Holt Dollar's Got Gentral Bank Against Jen Buoys Rand With Pledgy

JOHANNESBURG - Six consecutive days of loss were halted in South Africa on Tuesday, with the rand, boods and stocks posting a recovery as the central bank vowed

to defend the currency.
The governor of the Reserve Bank, Chris Stals, at a conference in Vienna, said that fundameotals remained strong and that the central bank had reserves of 42 billion rand (\$8.09 billioo) to stave off another assault like the one that forced the

rand to a record low Monday.

But traders said the outlook for the rand remained grave. South African markets have been battered by a deepening crisis in confidence in emerging markets worldwide that economists said coincided with renewed worry over the country's fragile growth.

The central bank had raised its marginal lending facility to 33 per-cent Tuesday from 28 percent in a bid to shore up the currency. The rate rise pushed the benchmark all-share

index 46 points higher, to 7,527.90.
"I think the international situation took priority over the domestic situation," Mr. Stals said. "I think we

can still justify lower interest rates." The dollar finished at 5.173 rand in local trading, down from 5.193 rand on Monday, when the central bank said it borrowed 7.9 billioo rand in May to shore up the rand, driving oet reserves down 33 percent, to 15.8 billioo rand.

Traders say the rand still faces concern over the news the central bank had dng deep to defend the Europe's largest nonprivatization currency last month still dogging its

"The reserves data was very serious," said a foreign exchange percent each, from 50 percent each, dealer at a foreign bank in Johan-

Tuesday, June 2

7 42

A Nordic Paper Giant Is Born

Stora to Acquire Finnish Rival in \$3.3 Billion Purchase

HELSINKI - Stora AB, a pany, agreed Tuesday to buy Enso Oy, its Finnish rival, in a deal that about \$5 billion. would form one of the world's biggest paper makers. Stora shareholders will owo 60

percent of the new company after the acquisition, Direkt, a local oews service, reported. It did not give further details. The purchase is worth at least \$3.3 billion, or Enso's market value.

The Finnish government, which owns 44 percent of Enso, approved the sale Tuesday and will ask Par-liament for final clearance.

Together, the two companies will produce about 13 million tons of paper and board, matching Jef-fersoo Smurfit Corp. after its purchase of Stone Container Corp.

Swedish forest-products com- at Oehman Fonder io Stockholm. countries that have qualified to use

was suspended during the talks, hut

solidation of the industry. Paper companies around the cent, according to Salomon Broth-world are combining to raise profit ers Inc. and Stora. through economies of scale. The price of pulp, a benchmark product used to make paper, is down 4 percent this year at about \$550 a ton, or half what it cost in 1995.

The deal would enable Enso to gain a foothold in emerging markets, particularly in South America and in Asia, through alliances made by Stora. In return, Stora "In this industry, size is im- trading in the planned European rities.

portant," said Anders Jarheim, single currency because Finland is Scandinavian equity fund manager one of the 11 European Union Stora's market capitalization is the euro at its introduction Jan. 1.

The new company will have Trading in Enso and Stora shares about 3.8 perceot of the global was suspended during the talks, but paper and board market, topping shares of other Nordic papermakers international Paper Co.'s 3 perrose oo expectations of further con- ceot, although falling just below Jefferson and Stone's joint 4 per-

> Together, Stora and Enso have a market value of 46 billion markkaa (\$8.5 billion). They had sales of about \$1.5 hillion each in the first quarter. Their combined 1997 sales were \$11 billion.

"It's good when there are fewer players oo the market because then overinvestment and overproductipo can be kept in check, would be able to carry out all of its Gustav Lucander of Aros Secn-(Bloomberg, Reuters)

is expected to close June 19 and the

Shares are to start trading June 22 in Paris, New York and London.

The company, whose principal ex-change will be Paris, is expected to

become part of the CAC-40 Index.

percent of the company will be

floated. GEC Alsthom posted a net

profit of 302 million European cur-

reocy units (\$407.1 million) in 1997

final price is to be set June 20.

Fiat Offers Romiti Stock In 2 Units

MILAN - Cesare Romiti, the departing chairman of Fiat SpA, has been given the option to buy Fiat's stake in Gemina SpA and in Holding di Partecipazioni Industriali SpA, knowo as HDP, the companies in-

volved said Tuesday. Mr. Romiti will leave Fiat this month after reaching the mandatory retirement age. He confirmed Tuesday that he would head HDP's RCS Editori unit, the publisher of two of Italy's widest-selling newspapers, Corriere della Sera and Gazzetta dello Sport.

Fiat offered Mr. Romiti the option of buying 5.5 percent of HDP, which also owns the fashion house Valentino and the clothing maker GFT. Mr. Romiti was also offered Fiat's 18.8 percent stake in Gemina, which controlled HDP until 1997.

"Investors are betting that Romiti's arrival heralds some moves to unite Gemina and HDP again, or other projects that will add value to the company's assets," said Corrado Berlenda, a stock manager at Euroconsult SIM in Milan.

HDP's shares rose 29 lire, to

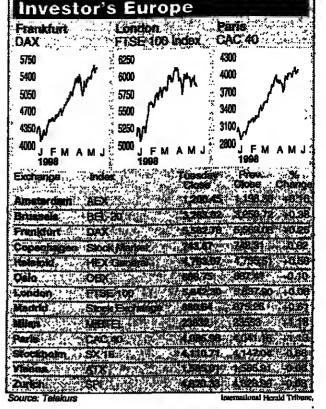
1,612 (92 cents), while Gemina gained 67 lire, to 1,578, and Fiat

rose 135 lire, to 7,810.

Talk that HDP may move RCS, which it owns, into a separately traded company and sell its shares on the market helped the stock, said Carlo Scomazzoni, an analyst at Monte Paschi Mercato in Milan.

Alstom will also increase its cap-"RCS will improve a lot under ital through the issue of about 11 Romiti," said Gaetano Afeltra, a million new shares. Including the board member. capital increase, about 52 percent to

Fiat said it granted Mr. Romiti an option to buy 2 percent of HDP by July 15, at average May stock prices, and a further 3.5 percent by Dec. 31, 2000, at the average price of the mooth in which the option is



Very briefly:

The Trib Index

World Index Regional Index Asia/Pacific

Еигора

N. America

S. America

FINANCO

Industrial Indexe

Consumer goods

Capital goods

 Vickers PLC, which has agreed to sell its Rolls-Royce Motor Cars Ltd. unit to Volkswagen AG for £430 million (\$704 million), said the process could be delayed several months if shareholders do oot approve the sale Friday. Depending on the outcome, VW said it was considering turning its Czech subsidiary Skoda AS into a maker of luxury cars.

· ABB Asea Brown Boveri Ltd., the Swiss-Swedish engineering company, its power unit ABB Kraft AS and Siemens AG have been reported to police oo suspicion of illegal price fixing by Norway's competition watchdog.

 National Grid Group PLC, which runs Britain's power transmission oetwork, said pretax profit for the year ended March 31 before exceptional items was £467.7 million, down from £591.4 million the previous year.

• Camelot Group PLC's profit for the year that ended in March rose 14 percent, to £80.9 million, as the operator of the British lottery saw sales rise 15 percent to £5.51 billion.

• Spain's jobless rate, as measured by the National Statistics Institute in a survey of bouseholds, fell to 19.28 percent in the three months through April from 19.63 percent in the three Bloomberg, AFP, Reuters months through March.

+ 0.41

+ 2.23

+6.11

+ 0.83

+ 0.28

+273

+4.40

The International Herald Tribune World Stock Index © tracks the U.S. dollar value of 260 internationally investable stocks from 25 countries.

150,31

Prices as of 3.00 P.M. New York time

+0.56

+ 0.17

+0.93

+ 4.85

+0.77

+0.62

+0.59

+0.56

+0.14

year to date

+ 11.71

+ 21.61

+ 11.89

-- 13.41

+ 7,81

+ 13.83

+0.29

+24.07

+15.77

+ 2.74

GEC Alsthom to Sell Up to 56% of Shares

PARIS - GEC Alsthom said Tuesday that up to 56 percent of its shares would be sold in a 26.6 billion franc (\$4.46 billion) initial public offering as it seeks to develop independently of its parent companies.

GEC Alsthom and its two shareholders - Alcatel Alsthom of France and General Electric Co. of Britain - will sell up to 120.96 million shares at between 190 francs and 220 francs each in what will be are exercised, the sale will cut the stake of Alcatel and GEC to 21

oreign bank in Johan
(Reuters, Bloomberg) name itself Alstom.

HEX General Index: 4763.87 Previous: 4785.51

9,65 12,25 5,26

65.70 303 34.10 173 175 347.50 165 75.30 294 250 162.50

The share sale will let GEC Al-horn, known for its TGV high-heed trains, expand oo its own with-by the French stock market regulator, sthom, known for its TGV high-speed trains, expand oo its own without first having to seek approval from its parent companies, which have differed about the direction of the company. GEC Alsthom said it would seek acquisitions and alliances to unseat Adtranz AG as the world's top maker of trains and ABB Asea Brown Boveri Ltd. as the leader

'This is a company with strong leadership positions in several sectors — it's a large issue of un-questionable quality," said Jean-Claude Petit of Barclays Asset Management France.

in energy-distribution equipment.

Investors were able to start placing on sales of 11.1 billion Ecus. orders Tuesday, with shareholders in

142.58.05.28.72.015.47.20.15.20.1

(Bloomberg, AFP)

Europe's electricity markets are being opened for competition. Bayernwerk, our energy subsidiary, is taking advantage of this valuable opportunity.

> VIAG. Creating enduring value.



4.68 3.51 2.88 34.00 71.59 3.62 9.79 4.72 7.50

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WORLD STOCK MARKETS

NYSE

The 2,600 most traded stocks of the day.

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ASIA/PACIFIC

Hong Kong Reprimands Morgan Stanley

By Philip Segal International Herald Tribune

HONG KONG - The Hong Kong securities regulator reprim-anded Morgan Stanley & Co. on Tuesday, saying the investment bank was guilty of misconduct in a high-profile deal and had 'impugned its fitness and properness to be registered" as an investment advisor.

The unusual public rebuke by the Securities and Futures Commission, which provides no sanctions, involves a transaction last year in which one of China's high-flying "red chip" companies in Hong Kong — China Everbright — had already received a rare challenge from the regulator as well as from

the stock exchange.

Red chips, which are Chinabased companies incorporated in Hong Kong but backed by the Beijing government, were the sub-

ject of a speculative craze last year whether or not to invest in IHD." until the Asian financial crisis.

The securities commission said that Morgan Stanley in May 1997 failed to disclose to the market its expectations that China Everbright IHD-Pacific — one of several Everbright group companies listed in Hong Kong and since renamed China Everbrigh Ltd. — would receive permission to take a 20 percent stake in the parent company's bank. The acquisition, a month later, proved popular with investors because it marked the first time that

foreigners could invest indirectly in a mainland commercial bank. Morgan Stanley "did not fulfill its regulatory responsibility to ensure that the public was told this information," the regulator said. The investment bank, it added, "failed to ensure that IHD disclosed to the public information that the disclosed to the public information that the public was told this information."

"We are aware of the SFC's reprimand and strongly disagree with their findings," a Morgan Stanley spokesman said. "Contrary to the SFC's statement in its press release, Morgan Stanley Asia had no expectations whatsoever that regulatory approvals would be granted shortly in China to allow IHD to acquire a stake in the Everbright Bank of China."
China Everbright Group declined to comment.

Morgan Stanley insists it breached no guidelines because there were no guidelines to follow.
"We therefore think it is inappropriate for the SFC to use dis-

ciplinary action to set guidelines retrospectively," the spokesman said. But the regulator disagreed, say-

ing, "The commission has concluded after careful consideration lic information that was material to that Morgan Stanley knew what was the investing public's consideration required of it as a registered in-

vestment adviser and failed to meet such requirements."

This is not the first time that reg-ulators have investigated the deal. Last year, the Securities and Futures Commission blocked a rights issue worth 1.9 billion Hong Kong dollars (\$245.2 million) proposed by China Everbright on the grounds that the company was too vague in stating why it needed to raise the money.

The company told the stock ex-

change that the proceeds would be used for "general working capital." but rumors began flying that it was seeking the Everbright bank stake. On the day that the acquisition of the bank stake was announced, shares in

Everbright IHD rose by 37 percent. Everbright is backed by the State Council, or cabinet, in Beijing. Its chairman is Zhu Xiaobua, a former deputy governor of the People's Bank of China and a protege of Prime Minister Zhu Rongji.

By Don Kirk International Herald Tribune

Strike Puts

Ford Bid at

Risk, Kia Says

SEOUL — The top executive of Kia Motors Corp. said Tuesday that Ford Motor Co. was interested in acquiring a majority stake in the struggling South Korean auto-maker, but he warned that labor unrest could threaten a deal.

Yoo Chong Ryul, appointed chairman by a court a month ago as Kia went into receivership, said Ford was forming a consortium with Mazda Motors Corp. and other companies to bid for a stake. Ford already owns 9.6 percent of Kja, while Mazda owns 6.7 percent. Ford also owns 33 percent of Mazda.

Mr. Yoo said Ford was a last bope for Kia, which is saddled with debts of more than 10 trillion won (\$7.16 billion). But be warned that a strike

by workers at the company's two
main plants could torpedo the deal.
"If the labor relationship is not
resolved," Mr. Yoo said, "Ford will
consider differently with regard to
cooperation with Kia."
The walkout by 14,000 workers
since Monday has added urgency to

since Monday has added urgency to the struggle of a company that fell to No. 3 from No. 2 among Korean automakers after admitting it could not pay its debts and applying for

receivership nearly a year ago.

Kia had made clear its strong opposition to a takeover by Hyundai Motor Co., the No. 1 automaker. Ford has broken off talks with Samsung Motor Co., which went into production in March.

Mr. Yoo spoke here last month with the vice chairman of Ford, Wayne Booker. He goes to Tokyo next week for more talks.

'Should Ford take over Kia, Ford will use Kia for producing Kia's cars under the Ford name," said Lee Chong Dae, president of the Kia Research Institute. "Kia's export volume will increase drastically."

"We're willing to do what we can to help Kia return to global competitiveness," a Ford spokesman told Bloomberg News. "Under certain circumstances, we're willing to look at increasing our investment in Kia." He declined to specify those conditions.

Ford executives have said they want to protect their investment and preserve the flow of vehicles the company receives from Kia. But they have ruled out increasing Ford's stake if it requires shouldering Kia's buge debt.

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Very briefly:

 China's state-run railways will be reorganized and downsized to reduce costs and trim losses that have climbed to 16 billion yuan (\$1.93 billion) over the last four years, the railways minister said.

• Evergreen Group dropped plans to buy at least six long-range A340 aircraft worth \$900 million from Airbus In-dustrie. The parent company of Eva Airwaya Ltd. said ship and aircraft purchases were on hold until Asia emerges from its economic slump.

• The Electronic Industries Association of Japan said the worldwide semiconductor market will weaken in 1998 due to the Asian financial crisis but its long-term outlook remains good, especially in Asia.

· Malaysia's securities regulator said it would give WK Securities Sdn. two weeks to find a merger partner. The brokerage's trading activities were suspended April 1 after it was found to have failed to "regularize its financial position."

• Suez Lyonnaise des Eaux SA will buy the 60 percent of PT Garuda Dipta Semesta it does not yet own as it seeks to regain the rights to provide water to half of Jakarta. The outstanding stake in the water ntility is owned by the family of Anthony Salim, a longtime friend of former President

 PT Astra International posted a first-quarter loss of 2.26 trillion rupiah (\$195.2 millioo), burt by foreign exchange charges stemming from the rupiah's plunge. In the first quarter of 1997, the carmaker had a net profit of 119.8 billion rupiah.

 Pakistani sbares rebounded as bargain bunters returned to prop up the market after it plunged 12.4 percent in its first day of trading after the country's nuclear tests. The benchmark index finished up 21.02 points, or 2.2 percent, at 932.46.

• The Petroleum Association of Japan said combined current, or pretax, profits of the 10 leading oil companies totaled 12.5 billion yen (\$90.1 million) in the year that ended March 31, a 68.8 percent decline from the previous year, due to lower AP, Bloomberg, Rewers, AFP

Taiwan Markets Take No Heart

From Stimulus Computed in the Saif From Duparter TAIPEI - The stock and

currency markets dropped Tuesday to their lowest levels in five months as a government package of stock stimulus measures fell short of investors' expectations, analysts said.

The benchmark stock index finished down 40.61 points, or 0.53 percent, at 7,565.64.

The Taiwan dollar, undermined chiefly by the yen's weakness, also sank, with the U.S. dollar rising in local trad-ing to 34.339 Taiwan dollars from 34.23 dollars on Monday. The double decline dealt

what analysts called an embarrassing blow to the government after officials announced a series of stimulus measures. The Finance Ministry said it

would speed approval of both foreign equity funds and local "The government needs to take more bold moves to boost

investors' confidence." said David Wu of President Investment Trust Corp. The central bank has said there was no economic reason

for the Taiwan dollar to follow the embattled yen's slide. (Reuters, Bloomberg)

FUTURIST: Firm Draws Clients With Chief's Rosy Vision

Continued from Page 13

founded Global Business Network in 1988. "Everybody wanted the Shell magic," he recalled.

Global Business Network is no ordinary consulting firm. Based in Emeryville, California, where it occupies a converted factory in the shadow of the Bay Bridge, GBN is eclectic if not eccentric. Its character and a few other firm members are is evident in the backgrounds of its five founders.

Besides Mr. Schwartz, they are Jay Ogilvy, a former philosophy teacher at Yale University who was in charge of values and lifestyles research at SRI International; Napier Collyns, who spent 30 years in Shell's planning group; Stewart Brand, creator of the Whole Earth Catalog and a founder of the Well computer network, and Lawrence Wilkinson, former president of Co-

Today, Global Business Network is a small but thriving specialist firm. Compared with such mainstream consultants as McKinsey & Co. or Andersen Consulting, it is minuscule. Revenue is running at \$10 million a year, about double the level in 1994, while staff has also doubled, to 55 people. (McKinsey says it has 4,500 consultants in 81 countries.)
The consultancy bas roughly 100

clients, about half of which sent executives to the company's four-day annual conference in San Francisco last mouth. The client list is as ec-

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But the report said that the

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Financial Secretary Don-

plans to stimulate the econ-

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.85,000 apartments a year.

The conference concluded with tools. an advance screening of the Dream-works SKG movie 'Deep Impact,' which has since become a box-office hit. Global Business Nerwork worked with Dreamworks on developing the film, and Mr. Schwartz

mentioned in the film's credits. At the San Francisco conference, four scenarios for the next decade were presented as narratives for the participants to read and debate. They ranged from crisis and decline to an equivalent of the Long Boom, all rendered in imaginative detail. In the gloom-and-doom scenario,

for example, the year 2000 computer bug and global warming are culprits in the tailspin. The European Union is shattered, the Middle East bas at Sun Microsystems Inc. water shortages, oil prices surge and inflation is ignited. In 2003, the sce-nario said, "the Dow plummeted from 10,000 to 6,000 in a matter of months." In Mexico, the economy crumbles, South American drug cartels move in, guerrilla wars flare and refugees flood north. "In 2010," the scenario asserted, "President Wilson sent in the U.S. Army to

establish order in Mexico." Certainly provocative and undoubtedly more entertaining than most business reading, but what use is this kind of thing to corporations? Most companies say the scenarios lectic as the firm, ranging from In— whether broad ones, like those free-market policies by Da ternational Business Machines Inc. presented at the San Francisco congin and Joseph Stanislaw.

and AT&T Corp. 10 the Pentagon, the government of Singapore and the National Education Association.

ference, or ones tailored for specific industries or nations — are useful mainly as complementary planning

Daniel McGrath, a business strategy consultant at IBM, said the scenarios sketched out "cansative chains that stretch your imagination and broaden your thinking." Global Business Network tries to

broaden its own thinking through a nerwork of about 100 people in diverse fields. They include Francis Fukuyama, the political scientist; Bruce Sterling, a science fiction writer, and Donella Meadows, an environmentalist. Yet the membership roster is beavy with techno-philes, including Danny Hillis, a computer scientist and research fellow at Walt Disney Co.; Esther Dyson, an author and newsletter publisher, and John Gage, chief scientist

For \$35,000 a year, corporate clients get to join members of the network on the company's private web site to discuss all sorts of subjects, from the future of the car to computing's millennium bug. In addition, clients are mailed two

books a month, selected by Mr. Schwartz and Mr. Brand. "We've basically solved the

problem of executives' reading guilt." Mr. Schwartz said. Recent selections include "Remaking Eden," about cloning, by Lee Silver, and "The Commanding Heights," a history of the triumph of - whether broad ones, like those free-market policies by Daniel Yer-

JAPAN PACIFIC FUND

SICAV 11, rue Aldringen, L-1118 Luxembourg R.C. Luxembourg B 8.340

er Messieurs les Actionnaires sont convoqués par le présent avis à l'Assemblée Générale Statutaire de notre Société, qui aura lieu le 17 juin 1998 à 15.30 heures au siège social evec l'ordre

Rapports du Conseil d'Administration et du Réviseur d'Entreprises

Approbation des comptes ambiés au 31 mars 1996 et fixation du dividende. 3. Décharge aux

Réélection de Monsieur Marcel Giuglaris, Gan-Vie, représentée par Messieurs Daniel Fruchart et Philippe Delaby, la Compagnie Messieurs Edouard Mansat et Philippe Camère, la Caisse des Dépôts et Consignations, représentée per Madame Dominique Delaporte, Messieurs Bernard Fauché et Bruno Boutrouille et la Financière et Immobilière, représentée par Monsieur Carlo Schlesser comme Administrateurs pour un nouveau lerme statutaire de trois ans, expirant à l'Assemblée Générale Statutaire

Acceptation de le démission d'un Administrateur.

Les décisions concernant tous les points de l'ordre du jour ne requièrent aucun quorum. Elles seront prises à la simple majorité des actions présentes ou représentées à l'Assemblée. Chaque action donne droit à un vote. Tout actionnaire peut se faire représenter à l'Assemblée.

Slump in Property Prices to Cut Hong Kong GDP, Bank Predicts It pointed to Chief Exec-

Agence France-Presse lapse in Hong Kong's properry prices has hit the local economy bard, knocking 1.35 trillion Hong Kong dollars The perception of the (\$174.2 billion) off the total fundamental change in govvalue of private apartments, emment policies toward land according to Hang Seng Bank, and housing is beginning to

The report by the region's that property prices can keep leading bank forecast that the going up and up," it said. property market collapse would knock at least two per- correction in property prices, centage points off gross do- which had surged 65 percent mesnic product growth this from 1996 to the third quarter year. It said a swift recovery of 1997, was necessary and

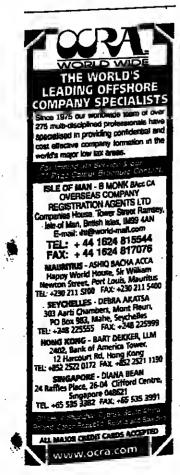
The report, issued late that the collapse was now be-Monday, said that at the peak coming a serious problem for of the market in 1997, the value of the total stock of private bomes was worth ald Tsang bas announced about 3.87 trillion dollars.

omy, including scrapping Since then, prices bave slumped 35 percent, wiping out 1.35 trillion dollars in the property markets and property values, equivalent to about 50 percent of total deposits in the banking system, Hang Seng Bank said.

huge increase in private property ownership over the last decade, the downturn would have a much roore severe impact on the economy than the previous slump, in 1982-84. Hang Seng Bank said there had been a change in the public's perception of govern-

ment bousing policy.

It said that because of the



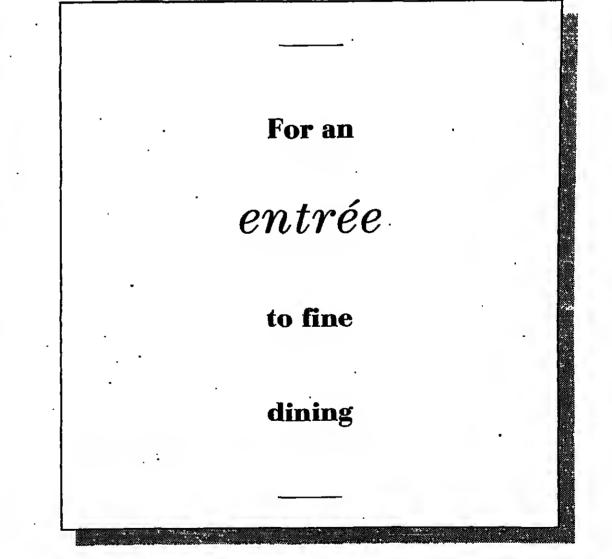


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THE WORLD'S DAILY NEWSPAPER



peruse

THE INTERMARKET

The Dining Out section of Saturday's Intermarket pages is where well-traveled food lovers find well-regarded restaurants. So whether you're looking for top cuisine, or indeed top clientele, you'll meet at the Intermarket. Bon appetit!

A great deal happens at The Intermarket. Call Sarah Wershof on +44 171 420 0348



THE WORLD'S DAILY NEWSPAPER

Tuesday's 4 P.M. The 1,000 most traded National Market securities in terms of dollar value, updated twice a year.

The Associated Press.

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Now, talk a Kazak

حكدًا من المدحل

A vision for the future: Kazakhstan is building on its hard-earned economic strength and political stability to forge a new economy based on free narket competition and echnological advances. The country's strengths include vast natural resources, a large pool of skilled labor and a long history of specialization in energy, manufacturing and agribusiness, while its emerging capital markets and opportunities for privatization continue to

attract high levels of

foreign investment.

Kazakhstan is deeply

committed to regional

cooperation and promises

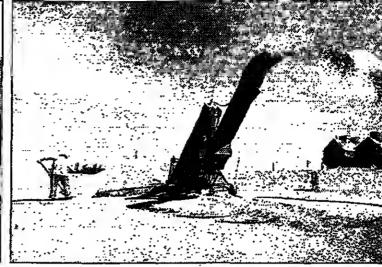
to be a force for stability

and prosperity in the CIS

and the region at large.















BUILDING A PLACE IN THE SUN

Kazakhstan has made huge strides since achieving independence.

Republic of Kazakhstan has deposits of oil and gas are vast grasslands of the steppe ers 2.7 million square kilocurrency, dramatically re- and to serve the domestic the duced inflation and new leg- population of 16.4 million. covered Tien Shan and Alislation to protect and encourage foreign investment.

fertile agricultural land, rich skilled workforce.

ess than seven years fishing grounds, abundant after becoming an in- animal herds, gold, silver, and China, Kazakhstan is the west by the Caspian Sea. dependent state, the uranium and coal, and huge physically impressive. The Altogether, its territory cov-

natural resources, including full use of its educated and the 2nd century B.C. In be- and the disruption of trade emphasizes liberal reforms

Located between Europe leys and lakes, bordered in magnificent snow- the world.

embarked on a period of eco- now being developed for ex- spread across much of the meters, making Kazakhstan nomic growth, with a stable port to international markets country. The southeast boasts the ninth largest country in Democratic reforms are atau mountain ranges, first the former Soviet Union, the continuing, as is the coun- crossed by caravans traveling country is recovering from 70

Like many of the states in

markets and supply lines, the country into the global marabolition of transfer payments and the collapse of established

dependence in 1991. Last autumn, President Nursultan Nazarbayev, who tween are the long river val-routes, the disappearance of and the integration of the

The country's industries. institutions that followed in- he maintains, must "work try's commitment to making the 4.000-mile Silk Road in years of outside domination ahead to the year 2030. It investment climate of this



FROM COOPERATION TO PARTNERSHIP

An interview with Nursultan Nazarbayev, president of the Republic of Kazakhstan.

Now that Kazakhstan is recovering, would you consider raising finance on the international markets to help you to continue developing your econony?

Today, I have all the

grounds to assert that the

most dangerous path on the road toward a market economy has been passed. The Kazakhstan economy is re- economy that is highly techcovering, and there are signs of growth. It is hard to overestimate the part that foreign investments have played in this process. We have market. We can't achieve this achieved macroeconomic objective without considerstabilization and now have able capital investments. Our the possibility to resolve the orientation toward foreign social problems accumulated

can also start creating conditions for the development of smaller and medium-sized businesses, for reforming the rural economy and resolving active readiness to deepen concrete aims for certain en- cooperation throughout the

Our main objective for financial inflows into the Ka- Central Asia Union, the Ecounder new conditions, pro- zakhstan economy is not just ducing not a gross output as it to restore but also to build a zation and the Customs Alused to be in Soviet times, but new economy. When Kahas headed the country since high quality goods and ser- zakhstan's role was that of a provide an additional bridge independence, announced a vices that obey the laws of source of raw materials, its long-term strategy looking competition." He adds: "The economy was inefficient and was oriented only to extract- This policy allows us to reive industries. That is why Continued on page 21 our goal is to create a new



nological, producing products based on the latest scientific advances and competitive in the world investments — both direct during those hard years. We and indirect - will continue for the near future.

How will this help you to

export oil and gas? Our country is showing an region. We take part in such economic associations as the nomic Cooperation Organiliance. These organizations that helps us integrate into the international community.

Continued on page 20

You missed Texas in the 20s.

You missed Saudi Arabia in the 50s.

Now, let's talk about Kazakhstan.

Kazakhstan. Huge oil reserves. Very investor friendly. A brilliant future A great opportunity. We're Hurricane Hydrocarbons, a Canadian oil and gas exploration company producing oil in Kazakhstan - a lot of oil.

When the Republic of Kazakhstan opened its doors to international corporations, Hurricane was among the first investors.

Seven years ago, we became a partner in the first joint venture between the government of Kazakhstan and western companies. Hurricane operates in the south-central region of Kyzylorda. Our oil reserves have been estimated at 429 million barrels and are producing approximately 60,000 barrels of oil per day.

With capital expenditures and the introduction of new oil recovery methods, we are contributing to Kazakhstan's vibrant oil industry, and to the future of our employees and the communities in which we work.

But oil is not our only interest in Kazakhstan. Hurricane is also committed to contributing to the future of the country. For example, we sponsor both professional and amateur musicians and artists. We provide recreational and educational activities for children, like Hurricane's refurbished Arai-Sunrise Youth Summer Camp. Anywhere we can, we're helping to build Kazakhstan.

Kazakhstan has a glorious future. To be part of it, contact us at website: http://www.hurricane-hhl.com or any of our offices listed below.



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13 Kazybek Bi Street Kyzylorda 467001 Kazakhstan Tel: 7 (32422) 74641 Fax: 7 (32422) 77271



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STABILITY AND

FROM COOPERATION TO PARTNERSHIP

Continued from page 19

duce the risk of economic rivalry and find more profitable projects. We don't think that integration will threaten sovreignty in any way; on the contrary, sovereignty will be sprengthened. In particular, the possibility of choosing part-Mers for the transportation of hydrocarbons is an excellent index of economic independence.

We signed the first pipeline contract from Tengiz to Novorossiysk with Russia, a traditional economic and political partner of Kazakhstan. Last year, we signed a gigantic contract for the construction of a pipcline from West Kazakhstan to Xinjiang Uigur Autonomous Region with China.

· Naturally, when choosing partners, we are ruled above all by economic considerations. But with joint projects comes motto is: "From cooperation to partnership."

After a successful privatization program, a review is under way: While foreign investment is important, how can you therease this and, at the same time, achieve a balance with and the possibility of corruption? domestic investment so that Kazakh companies can also henefit from the country's enormous potential?

The question of domestic investment and the encouragement of Kazakhstan business on the whole is becoming addition to the law. I issued a decree on forming a special increasingly important. The number of dynamically growing companies that would like to sponsor industrial projects is increasing in Kazakhstan. There are some strong joint ventures. Nevertheless, I don't think it's right to render privileged support to domesoc investors by creating favorable con- no opportunity for any abuse. • ditions for them. They have to compete for projects equally with foreign companies.

Recently, the Kazakhstan Investors consortium, which includes several large companies and banks, has been formed. They managed to win a 100 percent shareholding of the very big -- to our measure -- TuranAlemBank, which can invest in really large projects. As you can see, the process has started. The strength of domestic investors will increase with the growth of our economy. And if they beat foreign companies in tenders for projects, we will only welcome it. Besides, our companies know the market better, and we don't have any doubt that they will reinvest their profits.

How can foreign investments be directed to sectors outside the oil and gas areas?

Up until now, 30-40 percent of all foreign investment has been in the oil and gas industry. The rest has been directed to metallurgy, energy, gold extraction, transportation and communications, and construction. True, the development of our oil resources on the Caspian shelf, our onshore oil and gas fields, and the construction of pipelines will increase in- Local traditions are strong among Kazaknstan's people.



The president signing copies of his "Strategy to the Year 2030."

Six more oil and gas transportation proposals are being vestments in the oil and gas branch, but the attractiveness of other sectors of the Kazakhstan economy will not suffer from that. Today, it is very important for us to attract investment for the development of small and medium-sized businesses. It's spiritual rapprochement; personal contacts become closer not only an economic need, but also a most important and new suggestions for future cooperation emerge. Our political task, because a strong middle class guarantees both economic stability and the strength of democratic tradi-

How can foreign investors be protected from bureaucracy

We know that corruption is strong where the bureaucrat is strong. A year and a half ago, I initiated the adoption of a specific law on the state protection of direct investments. In government body - the State Investment Committee. This body is functioning as a "one-stop shop" so as to rid the potential investor of tedious and long beautocratic procedures. The regulations are clear-cut, transparent and give



"KAZAKHSTAN"

PROGRAM DIRECTOR: Bill Malider:

was produced in its entirety by the Advertising Department of the International Herald Tribune. WRITER: Pameia Ann Smith, based in London, reporting from Almary and Astana

FAVORABLE BUSINESS ENVIRONMENT DRAWS INTERNATIONAL INVESTORS

The country offers streamlined procedures and a one-stop shop for investors.

direct and indirect, have already paid off handsomely. But now the government is making it even easier for investors by setting up a "one-stop shop" through the State Investment Committee (SCI) to offer incentives, eliminate red tape, streamline procedures and remove anomalies in the interpretation of laws and regulations.

Direct foreign investment has accelerated since 1993, thanks in part to the country's privatization program and the restructuring of basic industries, with European, North American and Asian companies assuming the management. marketing and operational activities of vital oil and gas, manufacturing, mining, transport and utility companies. Inward flows virtually doubled from the \$640 million recorded in 1994 to an estimated \$1.2 billion last year, according to figures produced by the SCI. This year, they are forecast to rise still further, to \$1.7 billion.

International names

Names known around the world, such as IBM, Siemens, Bristol-Myers Squibb, Coca-Cola and Philip Morris, have joined a host of international oil and gas companies cager to participate in the country's future. Indirect investment has also increased rapidly, with U.S. funds such as Fidelity and Ternpleton buying into Kazakh equity, along with specialist players such as Global Securities of Turkey. Regent Pacific of Hong Kong and Kazakhstan's own Kazkommerts Securities.

In their wake have come the stalwarts of the international banking scene. Dutch bank ABN AMRO was the first international house to acquire a full banking license in the country, working in partnership with Kazkommensbank. It was followed by Société Géoérale of France, which obtained a full license in January. Citibank of the United States hopes to follow suit later this year, along with ING Barings, another Dutch institution.

Three German institutions - Deutsche Bank, Dresdner Bank and Commerzbank, have set up representative offices in the commercial capital, Almaty, International investment bankers, including Merrill Lynch, Salomon Brothers, Credit Suisse First Boston, Lazard Freres, Hongkong and Shanghai Bank and BZW Barelays, are queuing up to participate in the spate of corporate Eurobonds expected to be launched this year, as well as in the privatization program. Halyk Savings Bank of Kazakhstan (HKSB) held its road show last month for a S100 million bond lead-managed by Lehman Brothers of the United States.

Middle Eastern investors are also becoming increasingly involved. Sheik Amr A. Dabbagh, the president and CEO of Saudi Arabia's Dabbagh Group, was appointed by President Nazarbayev in May, 1996 as Kazakhstan's honorary consul for the kingdom in recognition of his work to promote foreign investment in Kazakhstan. The group has been operating in the country since 1993, developing hotels, airlines, telecommunications, housing and trading activities.

There are stumbling blocks, however. The fall in world oil prices, for example, has raised doubts about some projects Kazakhstan would like to go ahead with, using funds provided by foreign investors. The SCI has already made it clear that it stands by ready to help protect investors against

azakhstan's efforts to attract foreign investment, both such risks if necessary. SCI Chairman Oraz Jandosov, who is also the country's first deputy prime minister, has been quoted as saying that the government is considering "relaxing fiscal procedures and removing lunitations on the freedom of oil company operations."

The SCI, explains Minister and Executive Director Anvar Saidenov, is also particularly interested in ensuring that "there are procedures in law for transparent teoders." While he is doubtful that privatization "should be an objective in itself," especially if state-owned companies are profitable, he sees the involvement of the private sector as a way to "improve corporate governance in finance and in industry.

Strong legislation

The basic legislation required has already been passed. The 1994 Foreign Investment Law, which was amended in May, 1997, sets forth guarantees for investors regarding the repatriation of profits, while a law on State Support for Direct Investment, ratified last year, establishes preferential treatment for direct investors. Two of these incentives are tax incentives - including a reduction of up to 100 percent in the rates applied to land, property and corporate taxes - and rights to concessions.

Foreign companies are now also free to own up to 100 percent of the equity in any venture established in the country. Infrastructure, process industries, agriculture and manufacturing and service industries in the new capital, Astana, are all on the priority list for investment incentives.

Nevertheless, SCI officials accept that much still needs to be done to overcome delays in obtaining licenses, permits and exemptions, and access to key officials. Widespread complaints about arbitrary demands for excessive tax payments also need to be addressed, as does the need to promote the country's interests abroad effectively and efficiently.

At present, the committee is concentrating on three main areas of activity, explains Doulat Kuanyshev, director of the SCI: developing up-to-date legislation in line with international norms, ensuring that legislation reflects actual practice and creating clear procedures for both bureaucrats and investors to avoid misinterpretation of the laws.

"According to legislation adopted in February 1997, we have enough power to do this," he says. Mr. Jandosov's position as first deputy prime minister and the fact that the SCI is an autonomous body reporting directly to the cabinet and the president provide further assurances of the SCI's new role.

The new generation of officials, including Mr. Jandosov, sbare common views about the importance of open disclosure, efficient methods of governing and common practices for all. Although many are new to their positions, they have broad experience in respected institutions such as the National Bank of Kazakhstan, the country's central bank. Foreign investors seem to be impressed.

"The government continues to be committed to moving from basically a command to a free market economy, observes John Kormarnicki, president and CEO of Hurricane Hydrocarbons, a Canadian company that is developing an important onshore oil field in south central Kazakhstan. "They are on the leading edge of social and economic reform in the former Soviet Union." .

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FACT AND FIGURES

Official name: Republic of Kazakhstan Head of state: President Nursuitan Nazarbayev Capital: Astana Language: Kazakh (official); Russian widely spoken Population: 16.4 million Area: 2.7 million square kilometers Currency: The tenge (76.5 to the dollar)

Economic	indicator	rs	
GDP growth	1996	1997	1998 (forecas
(percent change)	1.1	2.2	3.0
Consumer prices (percent change)	39.2	17.7	14.5
Government budget deficit (percent of GDP) Trade balance	2.5	3.4	5.5
(U.S.\$ billions)	-0.3	-0.5	1.2
Exports (U.S.\$ billions) Foreign direct Investment (no	6.3 et)	6.8	7.0

Source: The European Bank for Reconstruction and Development, 1998

CAPITAL MARKETS: BLUE CHIPS AND IPOS

lthough the Kazakhcommitment to privatizing electronic form. Special pro- counter market. its holdings in major indus- visions to facilitate the entry ture expansion, as is the es- from fund managers in tablishment of private pen- Europe, the Middle East and sion funds.

year and is based on "West- actions and capital gains. em standards of disclosure," reports Gregory Vojack of been designated for the ex-U.S. law firm that has won a ment is reserved for compacontract from the U.S. nies that have been in

Three separate laws estab- accounts completed in ac- ket after fears that the prostan Stock Exchange, lish an independent regulator cordance with international gram might be delayed. which began opera — the National Securities auditing standards and a min- Agreements were signed by tions last September, is still in Commission (NSC) — and imum capital of \$1 million. A the Ministry of Finance in its infancy, the country's cap- introduce international con- second tier has less stringent mid-May with several finanital markets are set to develop cepts such as the principal of requirements, while others cial houses to manage the rities, won a mandate for two rapidly within the next two nominal shareholdings and provide for a pre-listing flotations. years. The government's the issuance of securities in board and an over-the-

At present, only one local tries through public issues is of institutional investors have concern, Kazkommertsbank, a major factor promoting fu- already attracted interest is traded in the top tier, but United Kingdom and the lothe chairman of the NSC, North America. To cncour-The logal framework for age foreign investors, the enterprises primarily banks" the creation of a securities government has eliminated in the top "A" category and in Mangistaumunaigas, the market was completed last taxes on their securities trans"about 10 enterprises" in the country's largest oil and gas second, or "B" category by producer. Four trading tiers have the end of the year.

Bracewell & Patterson, the change A "blue chip" seg-emment intends to proceed percent of Zhezkagantsvet-Agency for International De- existence for at least three blue chip oil and industrial rea. The company produces velopment (USAID) to help years, have 500 shareholders firms this year has sparked 70 percent of Kazakhstan's draft the required legislation. or more, two years of audited renewed interest in the mar- copper, most of which is ex-

Credit Suisse First Boston (CSFB) of the United States, together with Greenwich Capital Management of the cal Halyk Savings Bank, was Aben Bektasov, expects selected for the salc of 5 per-"that there will be about five cent to 7 percent of the govemment's 30 percent holding

They have also won a Confirmation that the gov- mandate for the sale of 17 with the privatization of its met, which is majority minority holdings in five owned by Samsung of Ko-

ported to Europe and Asia. Kazkomments Securities, the leading local investment company, together with Turkish-based Global Secu-a other sales: Aktobernunaigas 🖥 — the fourth largest oil and gas producer - and the Ust-Kamenogorsk Titanium and Magnesium Plant, A third

firm, Banco Santandar, may

also be invited to work on the salc of the oil company, according to reports in Almaty. A mandate is also expected to be issued for the management of a public offering of shares in Kazakhtelecom, in which the state holds 50 percent and institutional shareholders 40 percent. Bankers in Almaty say the

restructuring of KT's equity of Finance. Additional blue chip sales are planned for next year, once the required audits are January, are also expected to clude 10 to 12 companies change, according to NSC ofthat will circulate in the sec- ficials. A system was set up production last year. As senior officials from Kazkommertsbank have noted, the move was especially remarkable ondary market," says Min- whereby 10 percent of the 25 given the downgrading of Russia and some of the Asian ister of Finance Sauat Myneconomies in the second half of last year. In November 1996,

also be sold, he adds. The country is also one of only three former Soviet republics Public offerings

to have successfully borrowed on global capital markets. In In addition, the NSC hopes to launch a "second echelon" year \$200 million Eurobond, which set a benchmark for its of public offerings and direct sales in oon-strategic indusistered on the exchange. tries such as textiles, food processing, soft drinks and alcoholic beverages (vodka and beer) as well as service companies, according to the NSC's assistant chairman, Nurdin Damitov.

company KazakhOil may

Global Securities already looking ahead to the new sales, "We want to participate in the next wave of privatizations and contembranch network and regional brokerage houses in Astana their state counterparts had and other oblasts [political accumulated 2.1 billion tenge, subdivisions],"



Gregory Kiez, the firm's director of international business development in Istan-

Deutsche Bank is also expected to become a major player through a company it is setting up, Deutsche Securities Kazakhstan, to be headed by Grigori Marchen-Dutch bank ABN AMRO is ko, the former head of the expected to receive a contract NSC. "We are discussing 20 to arrange the sale once a projects for initial public offerings [IPOs], pre-IPOs and is coofirmed by the Ministry mergers and acquisitions," he says.

The pension reforms, which came into effect in completed. "They may in- increase trading on the expercent that employers are rebaev. Around 10 percent of quired to deduct from emshares in the state-owned ployees' wages can be directed to either state or nonstate funds. Although at least 50 percent of the oon-state funds must be invested in state securities, up to 20 percent can be directed toward the top tier of companies reg-

Umyt Shayakhmetova, a financial analyst at ABN AMRO, which has received a license to set up an asset management company to invest the funds, reports that, according to some estimates, the noo-state funds should be able to attract some \$500 million during the next three years. By the end of March; however, the oon-state funds plate establishing a domestic had attracted only 1 billion tenge (\$13.2 million), while says according to NSC figures.

STABILITY AND GROWTH: BUILDING A PLACE IN THE SUN

1.2

1.7

attempts to search for our place in the sun.

Strong indicators

(U.S.\$ billions)

Central to this strategy is the role played by the National Bank budget deficit is expected to of Kazakhstan, which has gained international respect for its amount to no more than 5.5 stabilization of the new national currency and its tight monetary policy as well as for its role in restructuring and privatizing state industries and the banking system. Inflation ization program will help: has plummeted from a rate of more than 1,000 percent in they are expected to amount they are expected to amount 1994 to 11.2 percent last year. This year, the figure is forecast to 30 billion tenge (\$395 milto fall still further, to about 9.5 percent, according to Kadyrzhan Darnitov, the governor of the bank. "We think this is achievable, and, in line with the government's program, we expect it to fall to between 5 and 6 percent in the next three years," he adds.

Real economic growth, which began with a 1.1 percent als. rise in 1996, doubled last year, according to official estimates, and would have been considerably higher were it not for the continued declines in the agricultural sector. This year, it is expected to reach 3 percent.

"Services are the fastest growing sector, and capital investment rose by 20 percent," Mr. Damitov notes. "The private sector now accounts for 70 percent of GDP."

direct investment is also a major factor in the resumption of code and reform of the civil service has belped, she adds. growth. So far, the cumulative total amounts to almost \$4 billion; by early this year, it passed the critical threshold of 5 recognized internationally. Fitch 1BCA raised Kazakhstan's percent of GDP. The Ministry of Finance, which is re- long-term foreign currency rating to BB in January, citing resolved, he adds, "are mainly procedural." •

sponsible for government revenues, is also adhering to strict two years of GDP growth and a 12 percent rise in oil norms - in line with IMF guidelines - concerning fiscal country and its economic perspectives allow us to make bold policy. Despite a fall in the prices Kazakhstan receives for important commodity exports such as coal, wool and copper and estimates that revenues could decline by some \$150 million this year due to the fall in world oil prices alone, the

percent of GDP.

Proceeds from the privatlion) from sales this year, reports Minister of Finance Sauat Mynbaev. Another 15 billion tenge is due to be received from previous dispos-

Tax collection is also improving, despite the lack of access to computers, notes lannat Enlesova, vice minister, Ministry of Finance. "We estimate modestly that

30 percent of GDP is produced in the parallel market, where According to the State Investment Committee, foreign mainly corporate tax is not collected." Revisions of the tax The economy's improved performance is now being

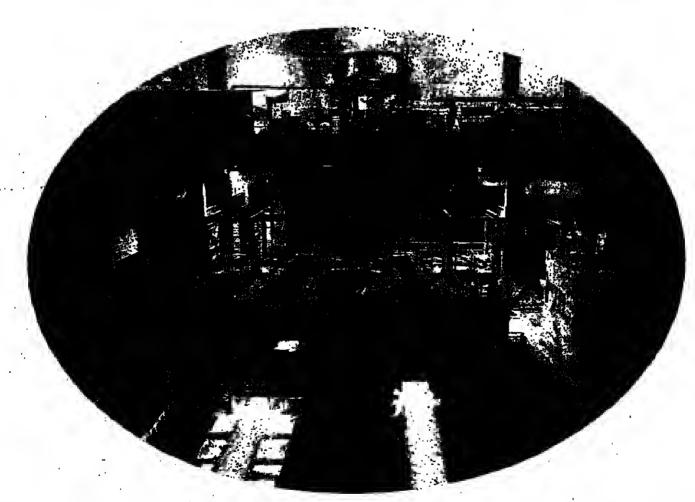


Oraz Jandosov, first deputy prime minister and Chairman, State Investment Committee.

The date will be determined "by our success in pension reform and in privatization," he adds. In the longer term, Kazakhstan can also look forward to the prospect of vastly increased earnings from its oil and gas exports. Efforts to resolve territorial disputes in the oil-rich waters of the northern Caspian Sea are making progress, with Russian President Boris Yeltsin due to sign a groundbreaking agreement with Kazakhstan in Astana in July.

Kazakhstan became the secood member of the CIS, after

"We see no major problem in the signing," said First Deputy Foreign Minister Yerlan Idrisov in late April after the meeting was mitially postponed. The problems yet to be



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HIGH TECH TELECOMS: RINGING IN THE NEW

The telecommunications sector in Kazakhstan is still recovering from the Soviet era, but substantial progress is expected this year. The national operator, Kazakhtelecom (KKT), is being privatized, while a number of other operators are expanding their satellite-based systems to provide voice, data, e-mail and Internet access. A new fiber-optic cable linking Kazakhstan to the Trans-Asian-European (TAE) line is also due to begin operations.

Only about 12 of every 100 people in Kazakhstan have a telephone, compared to an average of 17 in Russia and between 25 and 30 in the Baltic states. The country's low population density — about six people per square mile — has often meant that services are only available in the major cities and industrial centers, while the cost of equipment and services is well above those of Western Europe or the United States.

Although Kaztelecom has the capacity to operate 2.4 million subscriber lines, only 1.9 million are active. The network of domestic and international exchanges, microwave relay lines, satellite earth stations and TV and radio transmitters inherited from the former Soviet network is out of date, and most of the equipment is incompatible with Western technology. Of the 45.5 million kilometers of trunk lines owned by Kaztelecom, only 5.6 million kilometers are transmitted digitally. Similarly, only 340,000 of the subscriber lines, about 14 percent, are digital.

KKT is planning to issue a series of tenders this year to modernize its equipment. 'The objective is to create an integral digital network combining all of KKT's divisions and services," reports a spokesperson at Kazkommertsbank, the company's bank. The cost is expected to amount to more than \$1 billion. Alcatel of France is providing technical advice and is expected to supply some of the equipment.

Part of this will be financed internally. thanks to a dramatic rise in the company's revenues as the Kazakh economy has begun to recover from the transition to an independent state.

the sale of equity to a strategic investor. While the South Korean company Daewoo had originally won the right to buy a 40 percent share, its own economic troubles at home have led to its withdrawal from KKT. censed provider, uses the analog AMPS. U.S. and Kazakhstan banks are reportedly ready to take up the stake.

Meanwhile, tests are being carried out on the company's new international fiberoptic line, which covers 2,000 kilometers (1,240 miles) in Kazakhstan and connects with the 27,000-kilometer TAE running from Frankfurt to Shanghal.

The work of laying the cable through Southern Kazakhstan was completed in December at a cost of some \$6 million. Work on laying another fiber-optic cable to connect the new capital of Astana and Karaganda with Almaty is expected to start this year. When completed, it will link the Kazakhstani part of the TAE with Russia's Trans-Siberian network through an automatic exchange in Alekseevka, 120 kilometers north of Astana.

In the private sector, Nursat, a joint venture between Lucent Technologies of the United States and a local company, Kazinformtelecom, provides voice, data, video and Internet services throughout Kazakhstan via 11 nodes connected to the Intelsat

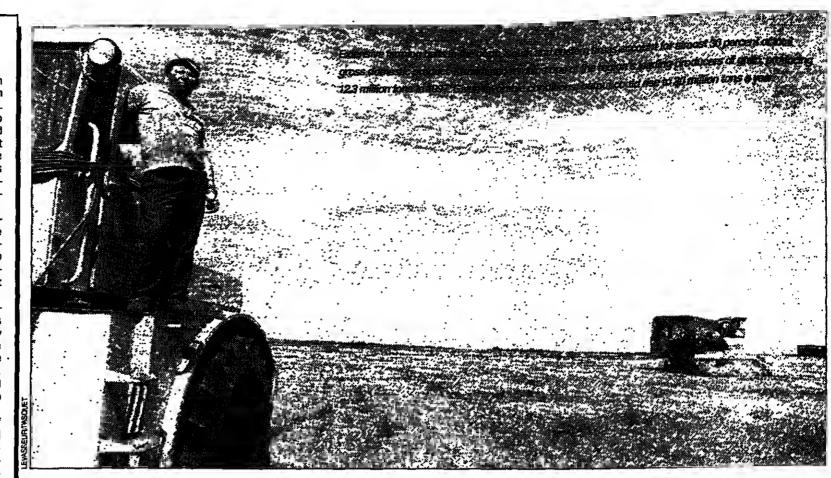
The company is currently involved in installing state-of-the-art communications systems in many of the country's military and industrial sites under a grant from the U.S. government. Voice and voice-mail are provided to Europe, the Americas, Africa. the Middle East, the Far East, Australia and New Zealand at costs ranging from \$1.80 to \$3.45 per minute.

Astel (Ama-Sprint), a joint partnership of Kazakhtelecom and Data Pack of the United Kingdom, provides a full range of telecommunications services to banks, corporations, government ministries and the country's mass media through its access to the international Global One network. Tariffs are competitive, giving it a leading position in the market.

Sary-Arka, a joint stock company, also provides satellite communications, in partnership with IBM, MCI and AT&T of the United States, France Telecom, Deutsche Telekom, BT of the United Kingdom, Australia's Telstra. KDD and ITJ of Japan and Dakorn of Korea, as well as other companies in the United Arab Emirates, the Czech Republic. Sweden, China, Italy, Turkey and Greece have signed agreements with KKT to provide direct international dialing via satellite.

Cellular services are available to 16.000 Other funds are expected to come from subscribers in 13 cities, but current demand Is estimated to total 60,000. At present, there is no Global System for Mobile Communication (GSM), though a call for tenders has just been issued. Beset, the sole li-

> Four paging systems, using either ER-MES or POCSAG standards, exist in the commercial center of Almaty, serving a total of 7,000 subscribers. Again, demand far outweighs capacity: Kazkommertsbank. which is handling the restructuring of KKT. estimates that another 50,000 potential subscribers are warting for such services.



AGRICULTURE IN THE REGION'S BREADBASKET

sector is starting to improve, along with the prospects for the country's extensive oil and gas reserves and metal and mineral resources have cilines in the south. grabbed the headlines, its extensive farming belts in the north, south and eastern areas account for almost 30 percent of total gross domestic product

With more than 40 percent of the population dependent on agriculture, fishing and animal husbandry for a living, reviving the sector is vibasic living standards and state revenues.

is planning to invest some substantially, to 30 million the wheat can be transported \$210 million in providing tons a year, according to es- to the Iranian port of Bandar

2akhstan agricultural new storage facilities and the Much of this would be highupgrading of equipment, dis-quality wheat, similar to varitribution and marketing. Annew agro-industries. While other \$55 million is being lent by international aid agencies Corporation is now seeking to help restore irrigation fa-

Despite the chaotic conditions of the past few years. during which output has tentially huge market given fallen dramatically due to the its role as the world's oumber lack of fuel and electricity. and a shortage of financing. March. Kazakhstan sent a the region's leading producers of grain. In 1997, the harvest produced 12.3 mil- with the quality and reliablion tons, up from 11.5 mil- ility, the Food Corporation million tons in 1995. of a new 30,000-ton grain However, given favorable terminal at the Caspian sea-This year, the government conditions, output could rise port of Aktau, from which

eties exported from Canada.

The state-owned Food to find new export markets to replace the sector's former dependence on the Soviet Union. Iran is seen as a poone importer of wheat. In the country.

If importers are satisfied

fier years of post-So- loans and credits to farmers, timates produced early this Enzeli, 80 kilometers away, herds of cows, sheep, camels viet decline, the Ka- to be used for the creation of year by Kazkommertsbank. Transport costs, which cur- and goats. rently amount to nearly \$50 a

> China is another potentially huge market, as are both in the number of an-Saudi Arabia and the Gulf imals and in the production states. In the meantime, of related products such as neighboring countries will remain important buyers. In 1997, Russia bought 5.5 million tons of grain and Turk- have been hampered by the Kazakhstan remains one of test shipment of 5,000 tons to menistan 500,000 tons. An- need to restructure collective other 1.2 million tons went to the Ukraine.

Another promising area is the south, where cotton, tally important to ensuring lion tons in 1996 and 9.5 plans to invest in the building fruits, vegetables, tobacco

revive the country's impor- and a \$17.8 million meat protant fishing sector. Resources cessing plant in Kostanai. include sturgeon, perch, carp, roach and shellfish from the Caspian Sea as well as 50 other varieties found in Kazakhstan's rivers.

A state-owned company, rants and leisure facilities to supplement the firm's domestic sales of fresh and frozen commended by the bank in-Atyraubalyk's exports of stur- in Semipalatinsk to produce

have its exports of caviar and serving complex in Aytrau, a smoked, frozeo and dried fish \$10 million food processing to countries such as France, plant in Chimkent, a \$9.5 Switzerland and Spain, factory in Almaty to produce Profits in 1997 were expected tin sheet and cans, an \$8 to be more than \$50 million.

Horses, pigs and poultry

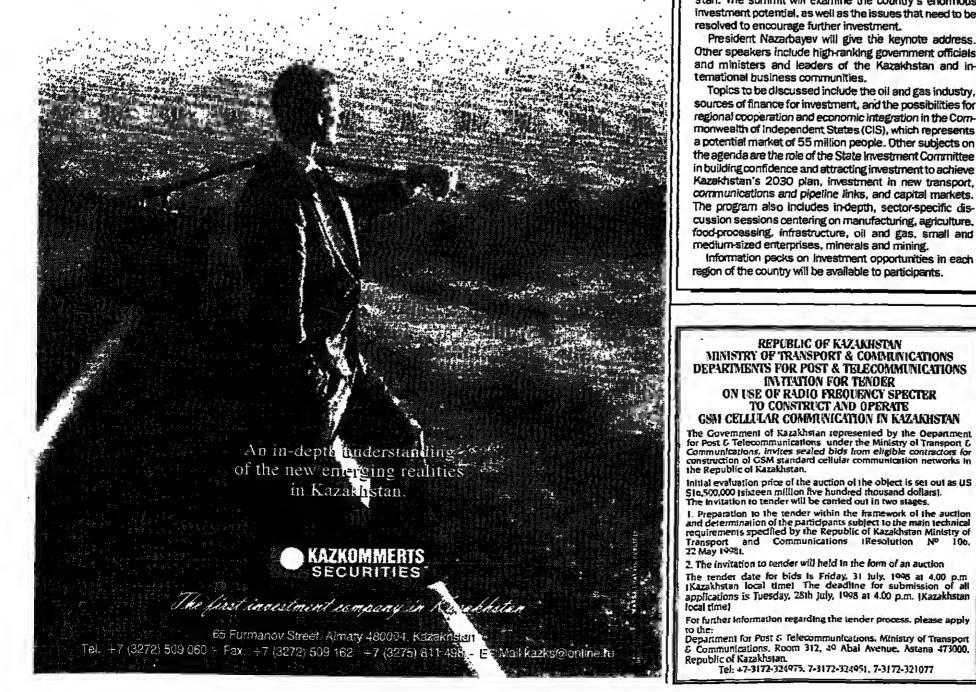
ton, would be cut to just \$20 a are also important, but, as in ton, according to government the case of grain, the severe conditions of the past few years have led to a decline Kazakhstan's milk and wool, Government C efforts to revive animal husbandry and to introduce new food processing facilities farms inherited from the Soviet era and by the lack of finance.

Kazkommertsbank hopeful that private investors and rice are cultivated, mainly can be convinced of the on irrigated land. Kazkom- country's potential in both mensbank is investing some agriculture and food pro-\$25 million to help develop cessing. It has identified 400 cotton production in the area, projects suitable for considaccording to officials of the eration by both foreign and South Kazakhstan Oblast. local investors. They include Plans are also under way to the construction of a \$50 mildevelop a cotton exchange. lion plant to produce baby The development of new milk powder in Volodarskoe, reezing units and marketing a \$40 million plant to profacilities is also helping to duce citric acid in Kirovsky

The bank is also seeking investors for a new \$25 millioo flour mill in Taldykorgan, near the capital of Almaty in the southeast. It will be capable of producing 150 Atyraubalyk, has opened a tons a day. At present, flour new retail complex in the consumed in the area must be northern Caspian port of transported from other parts Atyrau. It features extensive of the country or from abroad shopping facilities, restau- at considerable cost to con-

Other feasible projects readdition, clude a \$25 million factory geon fillet to Germany have packaging materials, an \$18 increased dramatically, as million retail and food conmillion brewery in Pavlodar With its vast steppe lands, and a \$2.4 million refriger-

Investing in Central Asia without the right partner, can be a lonely and dangerous adventure...



SUMMIT UNITES TOP BUSINESS AND POLITICAL LEADERS

Kazakhstan's remarkable achievements since independence just seven years ago include political stability, a return to economic growth and the establishment of a business environment highly favorable to foreign investment.

Well known as a source of immense natural resources, Kazakhstan also has investment opportunities in a wide range of sectors, including agriculture, metals, food processing, consumer goods, infrastructure and banking.

To discuss these growing opportunities, top business leaders and government officials will gather in Almaty on June 45 for the Kazakhstan Investment Summit, convened by the International Herald Tribune.

This high-level gathering, chaired by Nursultan Nazarbayev, president of the Republic of Kazakhstan, and supported by the State Investment Committee, will allow international investors to enter into discussions with top government, business and financial leaders in Kazakhstan. The summit will examine the country's enormous investment potential, as well as the issues that need to be resolved to encourage further investment.

President Nazarbayev will give the keynote address. Other speakers include high-ranking government officials and ministers and leaders of the Kazakhstan and intemational business communities.

Topics to be discussed include the oil and gas industry, sources of finance for investment, and the possibilities for regional cooperation and economic integration in the Commonwealth of Independent States (CIS), which represents a potential market of 55 million people. Other subjects on the agenda are the role of the State Investment Committee in building confidence and attracting investment to achieve Kazakhstan's 2030 plan, investment in new transport, communications and pipeline links, and capital markets. The program also includes in-depth, sector-specific discussion sessions centering on manufacturing, agriculture. food-processing, infrastructure, oil and gas, small and medium-sized enterprises, minerals and mining.

Information packs on Investment opportunities in each region of the country will be available to participants.

REPUBLIC OF KAZAKHSTAN
MINISTRY OF TRANSPORT & COMMUNICATIONS

DEPARTMENTS FOR POST & TELECOMMUNICATIONS
INVITATION FOR TENDER
ON USE OF RADIO FREQUENCY SPECTER

TO CONSTRUCT AND OPERATE
GSAI CELLULAR COMMUNICATION IN KAZAKHSTAN

mountain valleys and foot- ated fish warehouse in Obhills, Kazakhstan has tradi- lpotrebbaza, near Taldykortionally supported extensive gan. •

HOMEGROWN MBAS Local school turns out highly qualified managers.

azakhstan has a with the approval of President force, and more than two-thirds of its population has completed secondary education. Ten percent have university degrees. But the country still lacks managers, professionals, bankers, analysts and civil servants trained in Western, marketoriented disciplines.

Since 1992, international businesses seeking to recruit highly qualified staff in Kazakhstan have been able to employ graduates of The Kazakhstan Institute of Management, Economics and Strategic Research. Established

highly skilled work- Nursultan Nazarbayev, the institute is a leader in its fields throughout Central Asia. Masters' degrees are

offered in three areas: business administration, public administration and economics. All courses are taught in English, reflecting the institute's concern with providing its students with a widely spoken language. More than 500 students attend classes at the institute, and some 200 of them graduate each year.

A part-time MBA program () and specialized training courses are also available in the evening for professionals.
In line with the country's immediate needs, the univer-

sity now includes the Kazakhstan International Instilute of Banking and the Management Training Cen-ter for Oil, Gas and Mineral Companies. This year, the institute is also planning to begin offering an Executive MBA in conjunction with the London Business School and HEC in Paris. •

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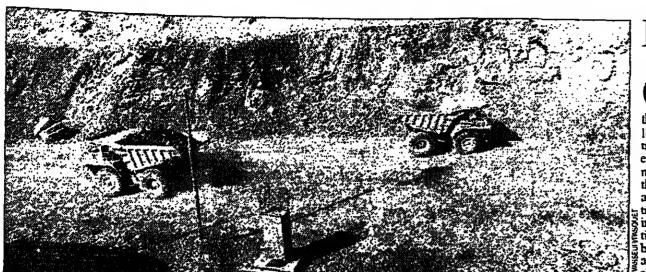
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KAZAKHSTAN





Kazakhstan's vast resources of minerals and metals are attracting investors from around the world.

THE MINING SECTOR: BACK TO PROFIT

azakhstan has the world's largest reserves of zinc, revealed at the annual meeting of the European Bank for Kazkommertsbank officials in Almaty. It also pos-mid-May. sesses the world's third largest reserves of copper and

manganese and has rich deposits of guld and silver. lungsten, copper and zine. Other significant deposits of iron, litanium, magnesium, chromium, bauxite, aluminum oxide and phosphates are mined and processed in the country.

During the first five years of independence, production fell dramatically because Kazakhstan's huge mines, smolters and manufacturing plants suffered from a lack of fuel, finance. spare parts and technology, as well as the loss of their traditional markets in the former Soviet Union.

The restructuring of many state-owned companies in the sector and the privatization of others has now led to a dramatic tumaround: In 1997, the industrial output of ferrous metallurgy rose 20.5 percent, compared with a fall in 1996 of 25.2 percent, according to official Kazakh statistics. For nonferrous products, the increase amounted to 15.5 percent last

year, compared with a rise in 1996 of 10.7 percent. Foreign investors include the Japanese Chromium Corporation, which purchased a 55.2 percent stake in the state has invested more than \$540 million in aluminum oxide production in Kazakhstan since 1995, mainly through Kazakstanski Alumini (Kazak Aluminum), one of the country's eight largest companies, in which it has a shareholding of just under 56.5 percent.

Last December, the London-stock-exchange-registered company Bakyrchik and the Torooto-registered Indochina serves, one of the largest undeveloped mines in the world.

the United States, is also confident about the sector's prom- herence to modern environmental standards. ise: Last year, it raised its shareholding in the Sharaltyn gold exploration project in northeastern Kazakhstan from 50 reserves at Vasilkovskoye, the State Investment Committee export Kazakhstan's oil and gas. •

wolfram, molybdenum and barite, according to Reconstruction and Development (EBRD) held in Kiev in

Samsung of Korea, through its German subsidiary Sam- the country, which in terms sung Deutschland, now owns 40 percent of Zhezkazgans- of land area is the ninth During the Soviet era, Kazakhstan accounted for nearly a verniet, a copper producer whose state shares are to be largest in the world, has a fifth of the USSR's output of coal and half its reserves of lead. privatized in the coming year, following the restructuring and total of just 13,500 kilomeconsolidation of Kazakhstan's copper mining and man-ters (8,370 miles) of tarred ufacturing plants into a new holding company, Kazmys, road. The railway network, which Samsung is marketing as the Kazakhstan Copper which accounts for 86 per-Corporation. Capacity at its plants in Zhezkazgan and cent of the total freight car-Balkhash totals 400,000 metric tons of copper, as well as ried in the country, covers some gold, silver, zinc and lead,

Timur Issatayev, ING Baring's representative in Almaty. said in mid-May that Samsung, unlike other Korean in- ization and expansion to road program in West Kavestors, has plans to increase its stake still further. His bank, serve the country's industrial together with Crédit Lyonnais, has successfully raised a \$120 and commercial needs. million syndicated credit to help the company invest in new equipment and to diversify its markets.

One of the biggest success stories is undoubtedly the Ispat-routes to Kazakhstan's po-lion to \$400 million is needed Karmet works, a former Soviet complex in Ternirtau, near tential markets in China, In-Caraganda, which has a capacity of 6 million tons of liquid steel. Ispat International, part of the London-based LNM Group, owned by Indian-born Lakshmi Mittal, has managed concern, Kazkhrom, in August 1996. Britain's White Swan to raise output from just 2 million tons in 1995 to 3.8 million tons last year, following its purchase of the facility in November, 1995. By the year 2000, the figure is forecast to rise to 4.5 million tons, according to company officials.

New export markets have been found in China and other Asian countries to replace those in Russia.

In December, both the EBRD and the Washington-based International Finance Corporation (IFC) recognized the Goldfields became co-owners of the Bakyrchik gold re- company's achievements by granting it loans worth \$450 million to help streamline production, produce higher value-Santa Fe Pacific Gold, a subsidiary of Newmont Mining of added products and lower costs, as well as to ensure ad-

The investment is likely to make the complex one of the world's pre-eminent steel producers, especially as its percent to 100 percent. Investors are now being sought to tap products are expected to include the thousands of kilometers still other gold reserves, including the 14 million ounces of of steel pipeline that will be laid in the next few years to

Upgrades of infrastructure and utilities are crucial to the economy.

MODERNIZING VITAL TRANSPORT LINKS

Toil and gas to Westlines is not the country's only transport problem. Many foreign and local businesspeople would argue that the development of new road and rail links, as well as air transport facilities, is equally important. Upgrading the national electricity grid and building new power stations are also urgent tasks, but, as elsewhere in the economy, finance remains the main

problem. "Without the development of transport in accordance with international standards and technological progress, it is impossible for Kazakhstan to join the market economy," says one leading local banker. At present, 106,000 kilometers, but it is and the Russian firm Lukoil sorcly in need of modern- are investing in a \$4 million

are no adequate through where, as much as \$300 mildia, Pakistan, Iran and Tur- bridges and to provide in-

financial assistance to build a mercial center of Almaty to the new capital of Astana, 1 200 kilometers away. Other funding to improve trans-World Bank and the Islamic Development Bank in Jed-

While the ideal scenario would include immediate work on the construction of a "Trans-Kazakhstan Highway" linking Europe with Asia, the lack of funds is likely to mean that such a project will be dependent on private investment — both local and foreign.

Foreign ventures in the transport bottlenecks in the main oil and gas and industrial areas are moving ahead on their own, with the govemment's encouragement. British Gas, Agip, Texaco

zakhstan; where they are de- some operations due to a lack veloping the country's buge In the case of roads, there oil and gas reserves. Elsejust to build and restore vital

em export terminals Soviet era are poor and have maty-based Kazkommerts- providing \$180 million to through nonexistent pipe- not been maintained ad- bank. Private investors are build a completely new; faalso being sought to set up cility at Astana. The Asian Development road haulage companies, Bank has agreed to provide public transport facilities in

> new highway from the com- and truck repair workshops. port is being sought from the Almaty Railways to upgrade are interested in direct investstock in the governorates of Zhambyl and South Kazakhstan, new equipment and rail

> needed in the southeast. Altogether, the government plans to build 650 kilometers ies and to electrify some 800 country eager to resolve Some of these projects are to be carried out by the new state to export power to China. railway company, Kazakhstan Temir Dzoly.

track maintenance is vitally

Air Kazakhstan currently operates domestic services to Astana and other regional capitals and is seeking to expand its international routes. but it has had to suspend of finance.

Astanair, a owned company set up last struction company Mabetex. flies BAC-111s to Astana, Chimkent and Kzyl-Orda and is planning new routes to Aktubinsk, Ust-Kamenogorsk and Uralsk. Other local airlines provide services to Astana using aging Russianmade Tupelovs.

KLM, the Dutch airline. provides direct services between Almaty and Amsterdam, with onward connecinternational network in and modernizing the coun- tral Asia and in China. .

etting Kazakhstan's key. Local and regional ternational cargo ferries, actry's 21 airports has also be-oil and gas to West-routes designed during the cording to estimates by Algun, and the Japanese are

urban areas, and automobile Minister of Transportation and Communication Erkin Japanese investors, includ- Kalicv is seeking \$2 billion in ing Kawasaki Steel, are work- the next 18 months to moding with the government, international donors and and transport facilities. "We and expand existing railway ment and will create condulinks. While Almaty has cive conditions to enable us already carried out modern- to obtain these investments ization of its lines and rolling and credits from commercial banks, companies and individuals." he says.

The government is also seeking foreign investment to expand and modernize the country's power plants and transmission and distribution of new track to the major cit- systems. A U.S.-Israeli joint venture, AES-SunTree, has kilometers of existing lines. already acquired a coal-fired station in Ekibatuz and plans Zurich-based ABB, along with Britain's National Grid. has also sought to be involved in operating the country's national electricity distribution system, currently managed by a state company, Kegok.

Tractebel of Belgium, which acquired both the generation and distribution privately rights for the important Almaty governorate, is now December by the Swiss con-planning to expand its operations as well, having settled a dispute with the government in March. "We now collect 92 percent of payments in Almaty," says Ludo Candries, Tractebel's manager in the governorate.

This year, the government is planning more privatization in the sector, as well as authorizations for new independent power stations. "The second wave of privatizations tions to the airlines' is serious and will involve good companies." Mr. Can-Europe, Asia, Africa and the dries says. "I want to play Americas. Other services are here." A presence in Kazakhprovided by Lufthansa, Aus- stan, he adds, will also put his trian Airlines and British Air- company in a prime position ways. Work on expanding to expand still further in Cen-

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WAZAKHSTA (IC) (IC) III

PIPELINES: GETTING THE GOODS TO MARKET

Pipelines will allow Kazakhstan to develop its potential as a leading exporter of hydrocarbons.

at home to revive miles) and cost \$3 billion. an antiquated network of domestic pipelines, the inter- that it would bypass the over- At present, Kazakh oil is national focus remains firmly crowded tanker routes shipped via tanker from the fixed on plans to link Ka- passing through the Black eastern Caspian port of Aktau zakhstan's huge oil and gas Sea, the Bosporus and the to a terminal in the south at reserves with export termin- Dardanelles Straits. In addi- Enzeli in Iran. From there, it is some als in the West and in Asia. tion, it would reduce transit sent to refineries in Tehran, Global strategic interests are costs for Kazakh oil destined at stake, and they are delay- for European markets and the ing landlocked Kazakhstan's Eastern own efforts to develop its po- states. tential role as one of the world's major exporters of

Several different pipeline routes are under consideration.

the president of state-owned on the Gulf.

KazTransOil. "We are co-

Mediterranean Sea. Turkey volve. and Azerbaijan have already

26, Masanchi Sfreet,

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Tel, (7-3272) 500-301,509-991

480091, Aimoty,

Kirkakhstan

not decided."

posed, most of them linked to Suez Canal. A more direct

the oil fields located offshore route involves the construc-

and onshore near the Caspian tion of a pipeline through

ment is struggling 1,920 kilometers (1,190 in the Iranian government.

The route's advantage is Tanker transport Mediterranean

continent could also be sup-At present at least six ma- plied from Ceyhan via jor routes have been pro- tankers passing through the

Turkmenistan to Iran, which

Tabriz, Araq and Isfahan.

Under "swap" arrangements with Iran, an equivalent amount of Iranian oil is Growing markets in then sent from the country's Africa and the Indian sub-ports in the Gulf to destinin then sent from the country's ations in Europe and Asia. These arrangements are vulnerable both to political congiving priority to its own ex-

Saudi Arabia's Dabbagh Group, which is involved in the tanker shipments, has drafted detailed plans to upgrade the existing sea terminals. From Iran, Kazakh oil and gas could eventually also be transported overland via pipeline east to Turkey and the Mediterranean via a project proposed by Shell and other international oil companies. Another altemative has been proposed by the U.S. oil company economy. The Chinese Na-Amoco. This would connect Kazakh oil to Baku via an undersea line running from Turkmenistan under the Aktubinskneft oil company a "All are under consider- has an extensive pipeline net- Caspian to Baku for onward

ation," says Yerlan Upushev, work connected to its ports transport to Ceyhan. An American consortium operating with a number of pointed out that this would be cludes Saudi Arabia's Delta transport of oil, but we have the one through the Cau- other southern route to carry One of the most favored, be better positioned to serve menistan through Afghanisespecially by the United markets in the Indian sub- tan to Pakistan and possibly States and Turkey, would continent, where demand is directly to India at a later connect Kazakhstan's off- expected to grow more rap- stage

shore reserves with a pipeline idly than in Europe. It would Although Kazakhstan running along the seabed to also avoid the potential en- could construct a pipeline to the Azerbaijani port of Baku vironmental and ecological connect with this network. through Georgia to the Turk- problems that a pipeline un- officials in Astana are skepish port of Ceyhan on the der the Caspian could intical that any pipeline in Af- pipeline linking Kazakh-United States, given the armed conflicts the Russian port of Nosigned an agreement to build however, is reported to be with the Taliban, Instead, the vorossisk on the Black Sea. the Baku-to-Ceyhan portion. still opposed to such a route. Iranian route is seen as a far The Caspian Pipeline Con-

hile the govern- which would cover some despite signs of moderation more preferable way to reach sortium, which includes markets on the Indian sub-

continent. One of the most imaginwest with the Xinjiang Uygur region in western China

A second stage would connect Chimkent with other Kazakh oil fields and refiner- some 1.4 million barrels a nerable both to political conies in Aktyubinsk, Tengiz day.
cems and to Iran's policy of and Uzen. The total cost is Even if all goes according estimated to be some \$9 bil- to plan, Kazakh officials lion. although Chinese officials have been quoted as will be insufficient to handle saying that the first stage the high volume of the councould be completed for less than \$4 billion.

Kazakhstan with access to a that is expected to grow rapidly in the 21st century, the pipeline also has the advanwilling to belp pay for at least importance to the Chinese tional Petroleum Company. which bought 60 percent of the shares in Kazakhstan's year ago, has already signed an agreement with the Kazakhstan government to Kazakh officials have led by Unocal, which in- evaluate the commercial fea-

sibility of the project. Forcompanies interested in the less expensive to build than Oil, is working on still an- eign investors in Kazakhstan are now holding talks with causus to Turkey and would oil and gas from Turk- Chinese officials on oil purchase agreements that could help to ensure the line's prof-

Meanwhile, the project most likely to get off the ground in a year, the next year is a \$2 billion Inter ghanistan would be secure. stan's huge Tengiz field with

Chevron and Mobil of the United States, Lukoil and Rosneft of Russia, BG (Britative, and costly, pipeline ish Gas), Agip of Italy and projects yet envisioned in- the government of Oman as volves the construction of a well as the state company, line to China. Stretching KazakhOil, signed an agree-2,000 kilometers ment to build the 1,500-ki-Kazakh territory, it lometer link last year, but would link Chimkent in the delays over the shareholding and transit rights have held up the start of construction. during the first stage of con-struction. This is now expected to be-gin in late 1999, with operations to start a year later. Capacity is expected to total

try's exports as production in main consuming areas will the Caspian and in onshore also be necessary. In addition to providing fields accelerates early in the next century. In addition, efforts are also proceeding to les. huge oil-consuming market they are concerned that the attract private and foreign inpart of it, given its strategic though the route is seen as a Ukraine and the Trans-

point out that the pipeline the construction of additional the huge Karachaganak field will be insufficient to handle pipelines that provide more in the extreme northwest of ic interference. direct access to the world's the country to serve major

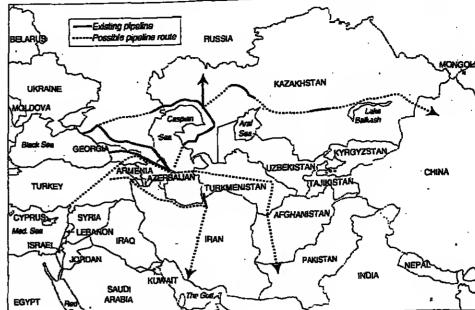
Within Kazakhstan itself,

cities in Kazakhstan, as well as to link the main oil fields erinos, told newsmen in Belwith Kazakhstan's refiner-

port of Novorossisk like oth- vesument for the expansion in March between the gov- ment meant that any diffiers in the Black Sea, is and modernization of exist-ernment and the Belgian firm culties could be ironed out already congested and sub- ing oil and gas lines, most of Tractebel, which won a con- smoothly, removing barriers tage that the Chinese may be ject to closure due to bad which were designed to serve cession last July to operate that might have stopped weather. For this reason, al- markets in Russia, the gas pipelines in Kazakhstan. is expected to restore convital development to elim- caucasian states. New lines fidence by investors who bypass through Kyrgyzstan inate initial export problems, are needed to bring gas from have been concerned about and a gas link to China. •

the possibility of bureaucrat-

Tractebel's chairman in Kazakhstan, Nicholas Athgium in March that the esrablishment of a neutral audit The resolution of a dispute commission by the govern-Tractebel from continuing its plans to develop a pipeline



NATURAL GAS: MAXIMUM POTENTIAL

n addition to oil, Kazakh- the extreme northwest of the billion cubic meters a year by and industrial areas. Already, gas and condensates, which are expected to make it production-sharing agreeone of the world's leading timated to total some 2 trillion

cate that the total figure for period. reserves could rise as high as ference in London at the end of April,

serves are located in the giant Production of natural gas is expected to be transported to percent increase over the Karachaganak reservoir in expected to reach up to 5.2 Kazakhstan's major urban 1996 figure. ●

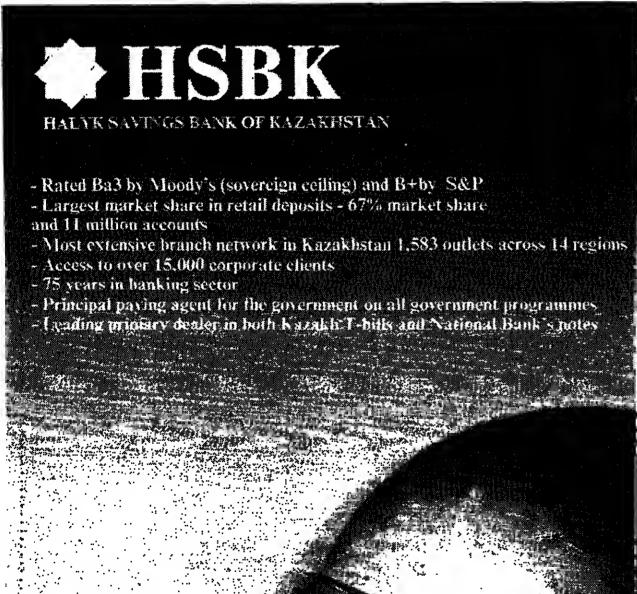
stan has huge reserves of country, near the border with 2001. Russia. Under the terms of a ment signed last year with the International surveys indi- to invest \$6 billion during the condensates.

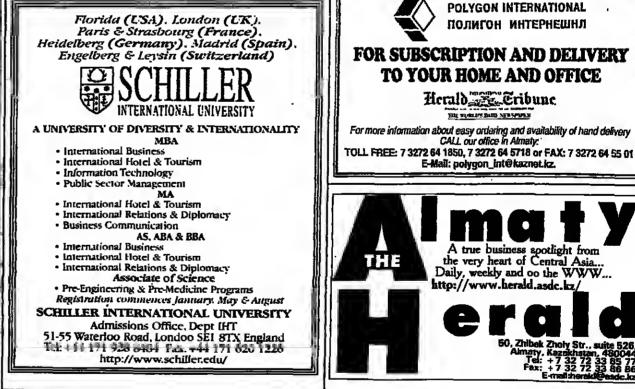
Rising annual output. The current output of gas is producers in the early part of government, an international hindered by the reluctance of the next century. Current reconsortium consisting of Russia's Gazprom to allow
serves of natural gas are esTexaco of the United States. its export through the Rus-BG (British Gas). Agip of sian pipeline network, with cubic meters, enough to al- Italy and Lukoil of Russia the result that most of the gas low an annual production of will have the rights to de- that is produced at present is about 35 billion cubic meters velop the field for the next 40 reinjected into the field to

At present, the field pro- domestic pipelines are ex- port outlets. Since then, the 13 trillion cubic meters once duces 50,000 barrels of con- pected to ease the problems recovery has seen annual exploration is complete, a densate a day, but this is ex- within the next few years, output rise to 5.9 billion cu-Kazakh official said at a con- pected to rise to 250,000 especially if the link between bic meters in 1995, 6.4 bitbarrels a day within the next the field and the new capital f April, three years, according to in- of Astana goes ahead as an impressive 8.1 billion cu-Two-fifths of these re- dustry experts in London, planned. Other supplies are bic meters last year, a 24.4

overall gas production in Kazakhstan is showing firm signs of recovery from the decline experienced during the years following the country's independence from the former Soviet Union.

Although output reached 7.1 billion cubic meters in 1990, this had fallen to just 4.5 billion cubic meters by years in return for a promise increase the production of 1994 due to poor maintenance, a lack of spare parts, Measures to develop new finance, trained staff and exlion cubic meters in 1996 and





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NEXT GOAL: DOUBLING OIL PRODUCTION

The country's proven reserves total 15.5 billion barrels, but this figure could double in the next decade.

azakhstan, the sec- produced at Tengiz as well as Soviet Union, is now expected to become one of the ities in Western Kazakhstan. world's leading producers early in the next century. The government's liberal free Karachaganak oil field, market policies and its readeign firms for exploration and production have already sisting of Texaco of the attracted both the major international oil companies and smaller concerns willing to provide finance, technology and advanced management and marketing systems.

The country's proven re-serves total 15.5 biltion barrels, but this figure could double in the next decade ration (CNPC) pledged to in- Canadian company Hur- caspishelf, the joint stock once surveys of the offshore areas in the Caspian Sea are

25.7 million tons in 1997, is expected to rise to some 80 million tons a year by 2005 and possibly as much as 120 million ions by 2020.

. Hars 3d Ten

Lentine ()

International consortia Almost half of current output fields.

comes from three onshore fields near the Caspian: Ten- Joint ventures giz, one of the 10 largest oil Still other deals signed last Karachaganak; and Uzen,

the country's entire output, serves in the Caspian Sea. compared with just 5 percent to the Black Sea,

40 years. Already it has led to the construction of a \$100 million plant to remove sul- Norway. fur compounds from the oil

ond largest oil pro- other investments designed ducer in the former to improve water, energy.
Union, is now expecmedical and housing facil-About \$6 billion is being

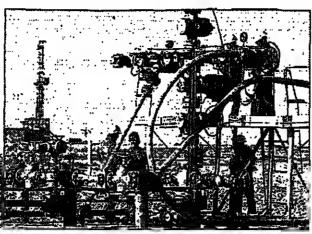
invested which also contains about 40 iness to grant licenses to for- percent of Kazakhstan's gas reserves. A consortium con-United States, BG (British Gas). Agip of Italy and Lukoil is developing the field, which is expected to produce some 12 million tons of oil and gas condensates by the year 2002,

In August, the Chinese National Petroleum Corporels of oil. Earlier in the year, fields in the Aktyubinsk region in exchange for a 60 percent interest in Aktyubinskmunaigas, the Kazakh zakhstan. company developing the

fields in the world: year included the purchase of a 60 percent stake in the Tengiz is being developed country's largest oil produby a joint venture. Ten- cer, Mangistaumunaigas, by try's three main refineries at gizchevroil, consisting of the the Indonesian concern, Cen-Kazakh government, Chev- tral Asia Petroleum, The Atyrau Output has declined ron and Mobil of the United Turkish state-owned com-States, and Lukoil of Russia. pany TPAO signed a contract Last year, the venture pro- worth \$750 million with the duced almost 30 percent of government to explore re-

when operations began in 25-year production agree- and management. 1993, despite the necessity to ment for a joint venture conand rail pending the com- United States and TPAO. An has been established to reppletion of an export pipeline extensive survey of the resent the country in future The project is expected to carried out by a consortium and production. It is reported economic stimulation of the attract some \$40 billion in consisting of Royal Dutch/ to be in the process of taking region. We make an impact." investments during the next Shell. Mobil. Agip, BG, over the government's in-Total of France, BP (British

In November 1996, the the shares of Kazakhstan- government.



Kazakhstan is expected to be one of the world's leading oil producers early in the next century.

vest up to \$1 billion in return ricane Hydrocarbons pur- company set up to exploit the for rights to develop the Uzen chased an 89.5 percent stake field, which is estimated to in the state-owned produc-Production, which totaled contain some 1.5 billion bar- tion company Yuzhneftegas, giving it assets of some 390 it agreed to develop three million barrels of proven and probable oil reserves in the Kumkol field near Kzyl-Orda in south central Ka-

> Unlike those in the Caspian, the reserves are "shallow, sweet and without sulfur," says John Komamicki, Hurricane's Calgary-based president and CEO.

Work is also proceeding on plans to upgrade the coun-Chimkent, Pavlodar and since independence, and efforts are being made to attract foreign and private investment to provide new pipeline and transport links to the sites This is to be followed by a as well as modern equipment

In addition, a new state-Caspian has already been negotiations on exploration terests in 18 joint ventures,

Clear-cut policies

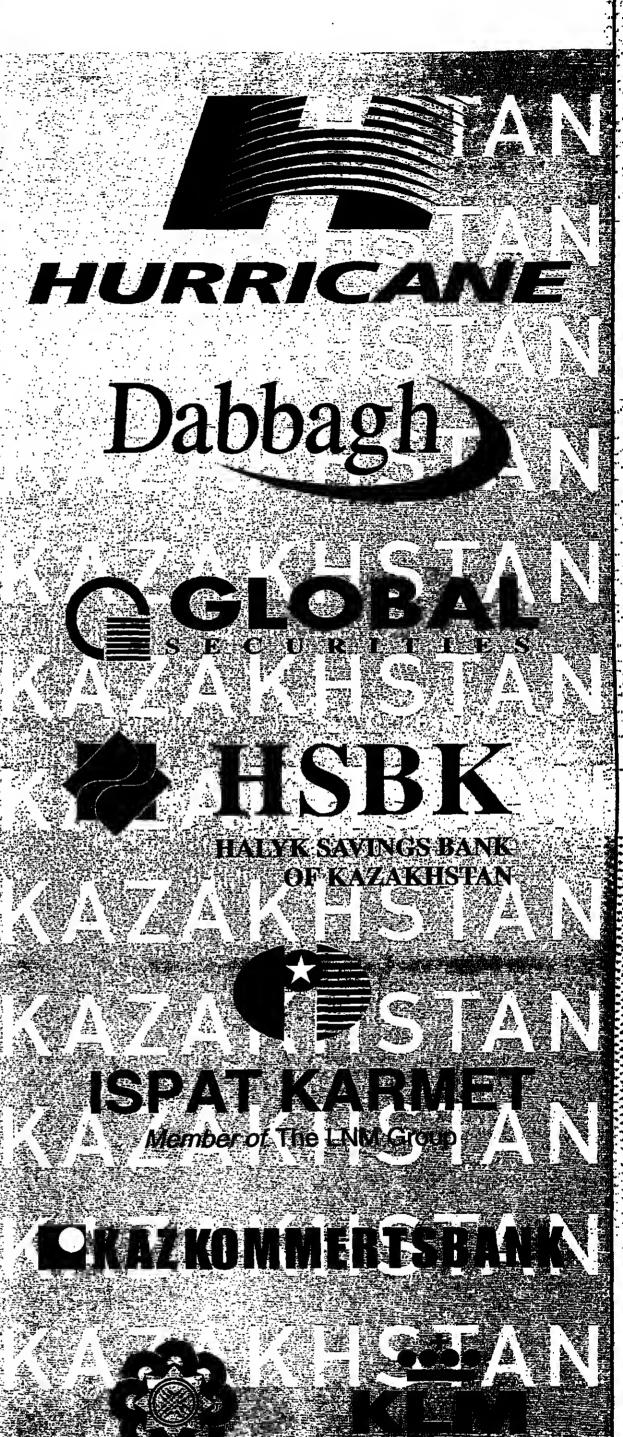
Earlier this year, the government announced that it was reviewing the way it awards oil and gas licenses, although officials have stressed that this does not mean any change in the overall policy of welcoming foreign and private investment.

"There is a need to develop clear-cut policies and procedures," says Doulat Kuanyshev, director of the State Investment Committee. "Many of the licenses that were given went to smaller companies tooking for foreign partners. Some are not honoring their commit-

'Sometimes people lose their licenses because of a lack of performance," says Mr. Komarnicki. "Our philo-sophy is that we go in and try transport the crude by barge sisting of Amoco of the owned company, KazakhOil, to do a deal that is good for both parties. We have a high profile in terms of jobs, the level of our salaries and the economic stimulation of the

> Companies that honor their commitments, he says, Petroleum) and Statoil of including its stake in Ten- can be confident of receiving gizchevroil and 90 percent of a good response from the

The International Herald Tribune would like to thank the sponsors of the Kazakhstan Investment Summit





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Astana, the new capital city, combines attractive urban design and modern infrastructure.

NEW CAPITAL IS SYMBOL OF NEW ECONOMY

Astana. Situated in the geo- in Europe and Asia. graphical center of the counand agricultural regions.

The move, announced by presidential decree in September 1995, has necessitated an intense round minds one of a traditional mote private home ownerof building and construction Kazakh noble's white felt ship. Huge banks of tree work to transform a provin- hat, ornamentally emcial city of 300,000 people broidered with the green of city, and the Yesil river, into a suitable location for the city's plantations, the which cuts through the centhe government, foreign em- red of its tiled roofs, the turinternational banks and corporations, black and pearl lines of its provide a focal point for leisand the hundreds of thou- motorways," wrote one local sands of Kazakhs who are journalist when the design expected to live and work there in the coming years. The work has already cre- former capital and commerated vitally needed new jobs cial center of Almaty in the in a formerly impoverished southeastern part of the area and led to an influx of country, have been less enbusinesses and commercial thusiastic. They point out television by saying that the services catering to the that Astana is located in the Kazakh word "Akmola" was

sion. which launched a na- and heavy snow in winter as "white tomb"). Astana, tional competition with the and extreme heat in the meaning "capital city," he League of Kazakhstan Archi-summer. tects in 1996 to design the

Less than seven years after overall concept and layout. have taken these factors inindependence, Kazakhstan Additional advice has come to account. Buildings, Inis preparing to formally from architectural institutes. cluding the new Presidential launch its new capital city, specialists and academics Palace and the Parliament,

Other countries' experi- the wind, and industrial sites try, it will combine the best of ence has also been taken are located in the northeastarchitecture and urban into account, notably the emoutskirts so that the predesign with a modern infra- move from Bonn to Berlin, vailing winds carry the polstructure linking it to Ka- from Istanbul to Ankara and lution away from the zakhstan's major industrial from Rio de Janeiro to Bra- commercial center and res-

Attractive design

"The architects' model re- than tower blocks, to proquoise of its lakes and the rounded by gardens to was shown to the press.

Critics, notably from the any existing map: The needs of a new middle class most severe climatic zone of open to misinterpretation by of salaried professionals. the country, on the the local and foreign mass The work is being super- windswept steppes, which media (it can be translated vised by a state commis- have sub-zero temperatures, either as "white plenty," or

The architects say they propriate.

BUSINESS TRAVEL TIPS

The inside track on doing business in the land of the Silk Road.

Scythians and the great Khanates of the 16th incentives, are available. and 17th centuries. Viewing developments through the prism of its former proviocial Travel

Kazakh, which is related to Turkish, is now widely spoken, however, and it would be from your hotel when you make your reuseful to have your business cards and cor- servations. For onward travel to Astana, respondence translated into Russian. Hiring where government offices are relocating, adan interpreter is common practice and helps vance reservations are necessary. save time and misunderstandings. The use of English is increasing rapidly, particularly in Accommodations and leisure government offices, business and banking.

have been designed to block

Two- and three-story

housing is planned, rather

"fences" will enclose the

ter, will be widened and sur-

Visitors will have a hard

time finding the capital on

former name, Akmola, was

only changed in early May.

President Nazarbayev ex-

plained the change on state

explained, seemed more ap-

idential areas.

ure activities.

to help overcome bureaucratic difficulties.

Change has yet to reach the middle ranks. bitrary payments and delays can prove frus-State Investment Committee acts as a "onestop shop" and provides a direct path through

If your company is considering doing business over the long term, consider es- house over the weekend.

t is important to remember that Kazakh- tablishing your headquarters or a branch stan is an independent state, with its own office in the capital, Astana. Exemptions proud traditions going back to the ancient from taxes and customs duties, plus other

status in the Soviet Union is irrelevant today. To obtain a visa, a letter from a sponsor within Kazakhstan is required and should be requested well in advance. The State Investment Committee is prepared to offer assistance in the official language, and its teaching is this area. In Almaty, a VIP reception service is mandatory in the schools. Russian is still available at the airport. Request this service

Almaty - still the country's main commercial center - now has two fully serviced luxury hotels, the Ankara Hotel & Towers A new generation of young, highly skilled, and the Hyatt. These hotels offer business Western-oriented officials is taking over the centers, which provide computers, e-mail upper echelons of government. Often they and Internet access for businesspeople. A have shared the same schools or work ex- wide choice of restaurants is now available. perience and will refer you to their colleagues serving European, Asian and Kazakh cuisine. The International Business Club is a lively watering hole where many business however, and the red tape, demands for ar- deals are made. In Astana, the choice is more limited, but the Yasnur is favored by govtrating, though the government is actively errument officials and businesspeople. Don't tackling the problem. For businesspeople, the forget to sample the caviar! Try to get out to the stunning countryside - a walk in the foothills of the Tien Chen mountains a halfhour away from Almaty is one possibility if time is short. Even better is a stay in a guest

USEFUL ADDRESSES

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On-Line Resources

Embassy of Kazakhstan, London, UK http://www.zoo.co.uk/~kazakhstan Official resource for the latest news developments and background.

Kazakhstan Securities Market Development Project

http://www.kazecon.kz Comprehensive, authoritative source for the latest in financial developments and in-depth reports on the economy, including the Information Centre of the Kazakhstan Press Club.

BISNIS Online

http://www.itaiep.doc.gov/bisnis/bisnis.html BISNIS Online is the home page for the U.S. Department of Commerce's Business Information Service for the Newly Independent States (BISNIS), the U.S. Government's one-stop shop for doing business in Russia and the other states of the former Soviet Union. Includes a vast amount of Information, country reports and useful links.

State Investment Committee http://www.kazinvest.kz Coming soon: The official Web site of the Kazakhstan State Investment Committee.

> **Almaty Business Communications Center** http://www.almatybcc.kz

A useful site established by a pan-European consortium led by the Danish Technological Institute

The Kazakhstan Institute of Management, Economics and Strategic Research http:///www.kimep.kz Information on the Institute's educational programs and business

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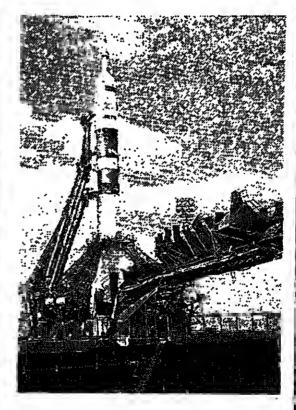
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S PORTS

Big Day for Pantani

CYCLING Marco Pantani gave Italians what they had dreamed of for four years when he took the lead in the 17th stage of the Tour of Italy on Tuesday.

Pantani finished second in the demanding 215-kilometer (345-mile) stage in the South Tyrol, beaten by Giuseppe Guerini but triumphant as the new No. 1 by 30 seconds over Pavel Tonkov, a Russian.

After 12 days in the pink jersey of the overall leader, Alex Zulle of Switzerland slipped to fourth, 1 minute 1 secood behind Pantani.

When Pantani attacked oo the third of four Dolomite Mountains, Zulle bad no answer and when Pantani reached the 2,214-meter (7,250-font) summit of Passo di Sella, the final climb, Zulle was trailing by 4:37.

Miami Player No. 1 Pick

BASEBALL Pat Burrell, a University of Miami third baseman, was chosen by the Philadelphia Phillies as the No. 1 pick in baseball's amateur draft on Tuesday.

Burrell, 21, had a .426 average, 17 homers and 47 RBIs in 115 atbats going into a game Tuesday against Long Beach State at the College World Series.

The Oakland Athletics got the second pick: a Michigan State lefthander, Mark Mulder, who was 6-6 with a 3.40 ERA for the Spartans.

The Chicago Cubs then chose Corey Patterson, an outfielder at Harrison High School in Kennesaw, Georgia.

Woods Exits Kemper

GOLF Tiger Woods has pulled out of the Kemper Open with a sore back, telling tournament officials that his hack had stiffened oo a flight Sunday night from Ohio to his home in Orlando, The back pain worsened as he was hitting golf halls during practice on Monday.

The event at the TPC at Avenel in Potomac, Maryland, begins

Woods was not available for comment, and his status for the U.S. Open at the Olympic Club in San Francisco on June 18-21 remained

Galloping to Belmont

HORSE RACING A field of 10 to 12 horses is lining up for the Bel-mont Stakes on Saturday in New rk, where a victory would make Real Quiet the 12th horse to sweep the Triple Crown.

'I don't mind a large field.'' said Bob Baffert, who trains Real Ouiet. "I've got the best horse, and I know he can get the distance of a mile and a half.

Baffert has won four of the last five Triple Crown races - last year's Derby and Preakness with Silver Charm and this year's Derby and Preakness with Real Quiet.

Wayne Lukas, who has won 10 Triple Crown races, is likely to run two horses -- Grand Slam and Yarrow Brae - in the Belmoot. (LAT)

An Unranked Graf

TENNIS Steffi Graf, who has spent more time as the No. 1-ranked woman than anyooe else, will drop out of the WTA Tour rankings next

Graf, the winner of 21 Grand 'Slam singles title, has played only two tournaments since she was beaten last year at the French Open. A player must play at least three in ; a year to stay ranked.

The German, No. 60 in the latest WTA weekly rankings, held No. 1 for 374 weeks. Graf, who will be 29 later this month, last beld the No. 1 spot on March 30, 1997.

Graf's recent comeback attempt has faltered since he had reconstructive surgery on her left knee. (AP)

WORLD ROUNDUP Hingis Ousts Williams For Trip to Semifinals

Moya Conquers Rios, the No. 3 Seed, in 4 Sets

By Christopher Clarey International Herald Tribune

PARIS — The match the ticket scalpers were using as a marketing tool in the morning did not turn out to be the main attraction on Tuesday.

Despite her forceful tennis and force-

ful personality. Venus Williams is not yet ready to defeat Martina Hingis on clay. Her 6-3, 6-4 loss to the world's No. 1 player featured too many errors and missed serves to leave an indelible mark on any fan's psyche, but anyone who

THE FRENCH OPEN

ended up with a ticket to the Freoch Open oo Tuesday did oot walk away without good stories to tell their friends and oeighbors about the quarterfinals. There was Carlos Moya's four-set upset of No. 3 seed Marcelo Rios that

kept the Chilean from regaining the No. 1 men's ranking.

I men's ranking.

There was Monica Seles's topsyturvy victory over Jana Novotna, and Lindsay Davenport's mild-mannered grudge match with reigning the women's champion, Iva Majoli, who will not get the chance to defend her title.

"If I were a betting persoo or journalist, I would bave overlooked myself also coming into the French Open," said the secood-seeded Davenport, no clay-court grinder, after her 6-1, 5-7, 6-

clay-court grinder, after her 6-1, 5-7, 6-3 victory. "I mean it's not like sure money, you know.'

Anyone who watched the tall, dark and handsome Moya reach the Australian Open final on a hard court in 1997 or win the Monte Carlo event on clay in April knew that Rios was no sure bet to reach the semifinals.

Moya has proved that he is a major threat oo every surface but grass, and with his powerful first serve, which is particularly effective down the middle, he wins more easy points than his claycourt-loving, topspin-whipping peers in Barcelona.

Moya had hardly been overwhelming since his coovincing victory in Moote Carlo, losing to Brett Steven early at the Italian Open, but that loss may have worked to his advantage, because he looked particularly fresh on Tuesday as he beat the Chilean, 6-1, 2-6, 6-2, 6-4. It also helped that a fellow Spaniard,

Albert Costa, had played the role of

Rios to four, taxing sets.

"I was a little bit tired from the last match," Rios said, "but Carlos played

picador in the fourth round, stretching

Rios was playing rather well himself after winning the second set and jumping ont to a 0-40 lead on Moya's first service game of the third. Moya's forehand, so effective throughout the match, was provided to the service band, so

was sputtering badly.
"I was totally down, and he was playing so good," Moya said. "At that level, he's the best in the world. I looked at my coach, like 'Tell me what to do' And

then everything changed suddenly."

Moya rallied to hold serve and then broke Rios in the oext game, but the Chilean did not become the French Open favorite without good cause. He lifted his game, but at 4-4, 15-15 in the final set, he made a rookie mistake. When Moya stretched wide for a backhand and sliced the ball back across the net, Rios was sure it had bounced twice. He let it land for a winner instead of volleying it into the open court. Rios protested vehemently, although televi-sion replays would prove him wrong, and then made two consecuove forehand errors to lose his serve.

Though Rios would save three match points in the next game, Moya refused to let him escape, finally securing victory with a swinging forehand volley that Rios knocked into the net with his backhand. The 12th-seeded Moya is oow the

Kuerten Disqualfied From Doubles Match

International Herald Tribune PARIS - Gustavo Kuerten, the

Brazilian who woo last year's meo's singles title at the French Open, was disqualified from the men's doubles event Tuesday for throwing his racket in the direction of the chair umpire, Bruno Rebeuh. Kuerten and a fellow Brazilian.

Fernando Meligeni, had just lost the first-set tie-breaker of their quarterfinal against Patrick Rafter of Australia and Jonas Bjorkman of Sweden when the incident occurred. Meligeni had been protesting line calls throughout the set.



Martina Hingis celebrating her victory Tuesday over Venus Williams in a quarterfinal at Roland Garros.

highest seeded men's player remaining in the draw and will face another Spaniard, the No. 15 seed, Felix Mantilla, in the semifinals Friday.

It will be the first Grand Slam semifinal for Mantilla, who defeated the former Freoch Open champion Thomas Muster, 6-4, 6-2, 4-6, 6-3. If the No. 14 seed Alex Corretja wins his quarterfinal on Wednesday, three of the four semifinalists will hail from Spain.

"You have to like our chances," Moya said.

After Tuesday, ooe has to like Hingis's chances, as well. She did not play a perfect match against the taller, stronger and tactically inferior Williams, who had beaten her twice already this seasoo on hard courts.

But the Swiss 17- year-old was poised and relentlessly opportunistic, particularly off her better backhand wing, which the American insisted on testing repeatedly. All in all, Hingis seemed to have more trouble with the line-judging than with Williams's crowd-wowing power. Though Williams, not Hingis, is the player known for her serve, the Swiss actually finished with more aces and service winners on this windswept afternoon.

She now has a 6-2 overall record against Williams, and a 2-0 record against her on clay after beating her in three sets in the final of the Italian Open last mooth.

"Now, I'm in better shape than I was in Rome," said Hingis. "I'm feeling

Williams, the older of the two 17year-olds but less experienced oo clay, hopes to be ready soon.

"I suppose I got a little too excited and really wanted to hit a winner, maybe sometimes prematurely," she said. "Of course, I have to do away with that. I have to make up my mind that that's oot going to happen anymore. I will be starting on this tomorrow morning."

Seles does oot plan to reach her peak again until oext year's Australian Open, but despite her father Karolj's death from cancer last month and despite playing only four tournaments this year before the French, she is back in the semifinals for the sixth time in seveo appearances.

Her 4-6. 6-3. 6-3 victory over the third-seeded Novotna was stranger than the scoreline. Seles led, 4-1, in the opening set, only to lose seven straight games. Novoma led 3-2 in the second semifinals at Roland Garros, too.

set before it was her turn to lose seven straight games.

In the end, Novotna's forehand proved just a bit too unsteady, and Seles's groundstrokes from inside the baseline just a bit too overpowering.

The discouraging news for the American is that she now must face Hingis, who defeated ber in three sets at Roland

Garros in last year's semifinal.
Whether she wins or loses, Seles made it clear that she is playing for herself. "My dad believed whenever I stepped on the court, it was just for me," sbe said. "I think of him every day, but for me, it's a tennis match, it's a tennis tournament."

The other semifinal will match Davenport against a two-time French Open champion, Arantxa Sanchez Vicario of Spain, who defeated the unseeded Patty Schnyder of Switzerland, 6-2, 6-7, (5-7), 6-0. Sanchez, now 26, is the oldest player left in the draw, but despite all the press. clippings and the television interviews. the youngsters on the women's tour have not yet lived up to their eelebrity in the higgest events. At the Australian Open, Hingis was the only teenager in the semifinals, and she is the only one in the

As the Icons Fall, Brazil's Romario Gives a Graceful Good-Bye

By Rob Hughes International Herald Tribuni

ONDON - The icous of World Cup soccer are falling. The tournameot is still a week away, but the deadline Tuesday for all 32 competing nations to submit full and final squads came too sooo for Paul Gascoigne of England, for Romario of

Brazil, and for Kazin Miura of Japan. They are, or they were, pivotal players to their countries. But with the arbitrary deadline set by FIFA, the governing body of world soccer, hanging like a guillotine,

WORLD SOCCER

their coaches or their doctors called time on their ambitions. Gascoigne, whothought he was the irreplaceable Englishman, blew his top and poured outrage and recrimination into a public debate that started as soon as the news of his omission leaked on Sunday. That debate, raw and devisive and inflamed by the secrecy that surrounds such a public thing as soccer, is still tearing like an open wound in England. It is as if the old country has nothing closer to its emotions

than a sad and declining footballer. In Brazil, they were better prepared for Romario's bad day. They knew the player was volatile. They had ridden the roller coaster with him from when his artful goals, his genius, helped to win the World Cup in Pasadena four years ago. A player from the streets, and a streetwise

.600 .571 .519 .509 .474 .464

character, he abandoned his game, abandooed his family and chased new thrills, new loves, oew alcoholic adventures.

Brazil gave up on Romario, then reembraced him affectionately when, with that old magic and with irrepressible desire, he returned. Still cunning. still quite a mover in the penalty box, still able to teach young Ronaldo a trick or two of the trade, Romario seemed well on the way to atonement. But bis past caught up with him; the years of neglect softeoed his body; he simply could oot shake off a calf muscle strain that set in on May 6 and has not responded to treatment.

Miura, meanwhile, is just nnlucky that his era as far and away the most identifiable and most traveled Japanese soccer player of all time has dipped when he most wanted to show off his skills. After 86 caps and 54 goals, Miura had a right to lend his experience to Japan's first World Cup finals. Alas, his form is tired; there are no prizes for history in this game, and coach Takeshi Okada struck him off on Tuesday without ceremooy or sentiment.

The game, you must understand, is a business. Team managers need results. They feel the demands to make every player in their squad of 22 run to every last inch in intense heat and embattled tensions that, for the winners, entails seven matches. The quality most coaches put most store in is oot ability but stability of form, of fitness, of commitment to the cause.



Romario reacting to the bad news.

If they cannot trust that, out go the icons. The reading of flesh or booe is already costly in a sport of too many contests, with UEFA, which oversees European soccer, continually expanding its Champions League and FIFA compelling clubs to fly star players to spurious tournaments in remote parts of the world. The administrators are interested in mooey, and fail to protect the ultimate competition, the World Cup, from burned-out players.

been many more. Germany is the poorer without its libero, Matthias Sammer. Italy on Monday lost goalie Angelo Peruzzi, and had already ruled out defender Ciro Ferrara and forward Gianfranco Zola through injuries. Scotland, the first opponent for Brazil, has to compensate for its wouoded captain Garry McAllister, England pushed Ian Wright to the breaking point, Croatia's injured include striker Alen Boksic.

It goes oo. But I do find disturbing the hysteria in my own country surrounding

might become less of a maverick and as ordinary as most of the English players.

He never did that, but he never made the kind of friends who knew much demands on him.

indulged Gascoigne for longer than he should because England is short of exceptional skill. But when that skill stub-

Before the three icons fell, there have bornly refused to show in three recent dition to win it back, the end was nigh. British tabloid oewspaper that last Satdry, he became drunk at a karaoke club close to Eogland's training camp in

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MATHE CO.

Most of us have known his peak of

eight years ago, when with a warrior's spirit and with visioo and ability on the ball, he was truly a world-class star. He cried in Italy then, too, but they were tears of the child in the body of a man that has always been Gazza. If he grew up, he might lose the fantasy in his game,

about the soundness of body that is essential to the modern player. At 31, you might think he should control his path through life, but he succumbs to drinking sprees, fueled by showbiz pals who have no conception of the physical Glenn Hoddle, the England coach,

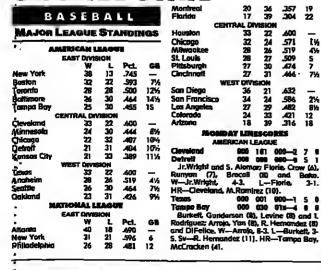
matches, when it became pitifully obvious Gascoigne was losing the ball to moderate opponents and was in no con-, After he was dropped, Gascoigne told a ? urday, considering himself home and southern Spain.

Even here, even now he could oot act responsibly toward the body that in-. creasingly slows and intermittently hreaks down. He was a risk too far, and the coach spoke for many involved at this World Cup when he explained: With the pace of the modern game you have to be an athlete. I watched Germany, and watched Brazil, they are excellent players, but they are also athletes. For a World Cup, the toughest and best tournament there is, you have to choose players who are able to start a game and play 90 minutes. That isn't the case with Paul." And it is oo longer the case with Romario, nor with Miura. We shall miss them all, but Romario

at least gracefully withdrew Tuesday... This is a very difficult moment in my life," he said. "This will not be goodbye on my part, but I want to thank the oational team for giving me the chance to become what I am." By that statement, he earns respect.

Rob Hughes is on the staff of The Times of London.

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Leading positions in 17th stage of Giro d'Italia, 217 kilometers (134.5 miles) from Asiago of Seiva d' Vat Gardena:

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2. Marco Pantani, Italy, Mercatone Une, s.t.

3. Chepe Gorzoics, Colombia, Kelme, at 204

4. Proest Tonkov, Russia, Mopei, 218

6. Nicola Micrai, Italy, Ris Corth, 203

7. Bankeic De Pools, Italy, Ris Agry, 3:25 o. ricoja micze, Irany, Riso Scott, 3:03 7. Daniele De Pauli, Italy, Ros Mary, 3:25 8. Stefano Garzell, II., Mercalone Uma, 4:37 9. Alex Zulle, Switzerland, Festina, s.l. 10. Daniel Clowera, Sp., Villando Seguras, s.l.

minutes. 2 seconds; 2. Tonkov. of 30 sec.; J. Guerini. 31; 4. Zulle, 1:01; 5. Comercind, Mapel. 4:13; 6. Miceli. 7:18; 7. Riccorde Forcani. Italy, Marcatone Una, 9:02; 8. Clavera, 9:35; 9. Serguei Gortcher, Ukraine, Centina Tulla, 9:36; 10. Wicdimir Belfi, Italy, Festina, 10:22.

GOLF WORLD RANKING 1. Emie Ets, South Africa, 12.38, points 2. Tiger Woods, U.S., 11.73 1. EIME ELS. SQUAR MITTAL, 14 JAN 2. Tiger Woods, U.S., 11-73 3. Davis Love 3d, U.S., 10-67 4. Greg Norman, Australia, 9-98 5. Coffin Montigomerie, Scotfand, 6. Justin Leonard, U.S., 8-72 9-70-75 January 10-75, 11-75, 1

7. David IDPet U.S., 872 8. Nick Price, Zimbotyne, 7.67 9. 7ora Lohman, U.S., 7.66 10. Phil Mickelson, U.S., 7.69 11. Mark O'Meora, U.S., 7.89 12. Jumbo Ozoki, Japon, 7.19 13. Tom Watson, U.S., 6.70 4. Fred Couples, U.S., 6.57 5. Viloy Singh, Fift 6.57 Lee Westwood, England, 6.32 Jim Furyk, U.S., 6.07 18. Scott Hoch, U.S. 5.64 P. Mark Calcavecatio, U.S., 5.62

RUGBYUNION SCOTLAND TOUT Scotland 34, New South Wates Country 13

SOCCER FRIENDLY INTERNATIONALS Netherlands 5, Panaguay I Kaiserslautern 0, Bulgana 4 Austria & Liechterstein O

TENNIS FRENCH OPEN

QUARTERSMALS unixa Sanctiez Vicario (4), Spain, det. Schinyder, Switz. 6-2, 6-7 (5-7), 6-0. Lindsoy Doverport (2), United States, det. Iva Majoli (10), Cradia, 6-1, 5-7, 6-3. Marina Hingis (1), Switzerland, def. Venus Williams (8), United States, 6-3, 6-4. Manka Setes (6), United States, def. Jona Novotra (3), Czech Republic, 4-6, 6-3, 6-3. MUNEY'S STROLLES CHARTERINALS

GUARTERFINALS
Felix Mantilla (15), Spoin, def. Thomas
Muster, Austria, 6-4, 6-2, 4-6, 6-3.
Carlon Moya (12), Spoin, def. Marcelo Rios
(3), Chile, 6-1, 2-6, 6-2, 6-4.

TRANSITIONS

AMERICAN LEAGUE Pui RHP Jock McDo ANAMEM—PUTRHP Jock McDowell on 15-day disabled 8st. Recalled LHP Jarmad Wash-burn from Vancouver. PCL Announced C Todd Greene will transfer rehabilitation as-cingments. rightenis
from Lake Elsinore, CL to to Vancture
RALTIMORE—Recolled RHP Richte Le BALTIMORE—Recolled RHP Richie Lewis from Rochester, IL. KAKSAS CITY—Assigned OF Rodefick My-ers to Wichito, TL. on a rehabilitation as-

signment.
TakonTo...Pul C Damin Fletchar on 15-day
disabled list, Recalled C Mark Delesandro NATIONAL LEAGUE ARIZONA-Optioned RHP Jett Suppan to ucson. PCL and recoiled RHP Bab

LOS ANGELES-Designated RHP

Nome for assignment. Bought contract of -LHP Gary Rath from Albuquerque, PCL. PHILADELPHIA—Took University of Miami 32. Pat Jurrell as No. 1 pick to baseboil's Omnieur droft.

SAN DIEGO.—Activated OF James Mouton from 15-day disabled list. Sent OF Rod Lindsey to Detroit to complete May 6 frade for Rulp Sent Sentage.

BASSETPALL MATIONAL BASKETBALL ASSOCIATION -PHILABELPHIA—Declined to exercise the lion on G Brien Show for next season.

POOTBALL

NATIONAL POOTBALL LEAGUE

HFL—Announced the resignation of Vol
Pinchbeck, senior vice president of broodcosting, and Roger Alkin, vice president-refoliation. ATLANTA -Signed DT Henry Skry to 2-year BUFFALD—Re-signed LB-DE Mark Pike.

BUFFALD—Re-signed LB-IIE Mark Pike.
MIAMI—Waived OT Roymond White.
M.Y.JETS—Released G David Williams.
PITTSBURGH—Released CB Darmell
Woolford and G Auron Henne. Signed OL.
Tony Orlandini. Rescinded contract offer to
TE Kirk Bothin.
SAINT LOUIS—Wolved LB Robert Jones.
SAN FRANCISCO—Signed TE Chad Form to
1-year contract, WASHINGTON-Signed G Joe Cocotto.

NATIONAL HOCKEY LEAGUE
CALGARY—Signed G Tyrone Gamer and
RW Ronald Petrovicky.
CAROLINA—Acquired G Randy Petruk from
Calondo for 1999 5th-round draft pick.
GETROIT—Signed II Jesse Wallin to 3-year
Contract. Contract.

MASHVILLE—Acquired RW Marian Coor
from Los Angeles for future considerations.

COLLEGE
ATLANTIC 10 CONFERENCE—Added

ents lacrosse as chom ing with 1999 season

حكدًا من الأصل

SPORTS

acres in Con Dodgers Say Sayonara' Nomo

LOS ANGELES - At first, Hideo Nomo shrugged off the trade rumors, but after a while they bothered him enough that be decided it was time to say

sayonara to the Los Angeles Dodgers.

"It's true that I definitely needed a chance of scenery, a change of environment," Nomo said through an interpreter Monday at a news conference called to announce that the Dodgers and the Japanese pitcher were parting ways. What will be best for me now is to go to a team that needs me, that needs my

What was to a team that needs me, true to a team that needs me, true pitching. The Dodgers designated Nomo for assignment, removing him from the team's 40-man roster immediately and bringing a sudden end to "Nomomania." or what was left of it, in Los Angeles. days in either trade or assign Nomo, or seven days to place the 29-year-old right-hander on unconditional release

> After his most recent outing - an ineffective stint against Cincinnati on Saturday - Nomo said rumors that he might be involved in a trade for Seattle's Randy Johnsoo had "no effect on me at

> But the Dodgers' general manager, Fred Claire, said that Nomo's agent, Don Nomura, called him Saturday night and requested a meeting Sunday, in which he told Claire that Nomo wanted to play elsewhere because of the speculation.
> Nomo was the 1995 NL Rookie of the

Year, and recorded 500 strikeouts faster than any other pitcher in major league history, accomplishing the feat in 444%

In 1995, his first season, he was 13-6 with a 2.54 ERA and 236 strikeouts. This year Nomo, who underwent arthroscopic surgery on his pitching elbow last fall, is just 2-7 with a 5.05 ERA although he struck out 73 in 67 innings and pitched two complete games.

■ Japanese Blame Dodger Greed Valeric Reitman of the Los Angeles Times reported from Tokyo:

It was only three years ago that Japanese huddled around televisioo sets to watch their new bero, Hideo Nomo, become the first Japanese superstar in the major leagues.

Now, stunned that their hero's time in a Los Angeles Dodger uniform has been cut short, many Japanese blame coldhearted greed and callousness for his departure from the Los Angeles team.
"Now that Peter O'Malley is gone,

the organization has changed - it has become a 'money first' team," an NHK public television commentator told viewers Tuesday morning after the oews about Nomo was announced. .

Kazuo lin, a baseball commentator, reed. "I was so surprised at comments from the Dodgers that they could fire him if there was no trade," Ito said. 'I never thought they'd go that far.

Mostly, people here said they felt sorry for their hero, who they said had contributed too much to the Dodgers only to be let go.
But Shoichi Kaneda, a former Yo-

miuri Giant star, the Dodgers' move 'coorageous.'

"With Nomo's current performance, be should have been sent in the minor leagues a long time ago," Kaneda said. "In the U.S., players who don't con-tribure to performance are sent to other teams. Nomo has to appreciate that."



Tim Raines of the Yankees reaching up from home to accept a high five for scoring the winning run.

Lower-Back Spasms Stop McGwire

losing streak, Mike Maddux (1-2).

Greg's older brother, was the losing

pitcher as Mootreal dropped its third

hack in the lineup after missing

BASEBALL ROUNDUP

three games because of a sprained thumh, hit two home runs to help

Benes pitched strongly into the ninth inning at Coors Field, and Arizona

stopped a three-game losing streak.

Orioles 10, Mariners 9 In Bal-

timore, each team hit four bomers and combined for 25 hits in resur-

gent Baltimore's victory over

Seattle, Trailing, 9-6, Baltimore hit three homers in the eighth to take the lead. Brady Anderson bit a two-run homer and Eric Davis and Rafael

Seattle, which hit six homers Sun-

Indians 2, Tigors 1 Jaret Wright

Manny Ramirez homered for the

Indians, 3-0 against the Tigers this

year and 39-11 since the start of the

1994 season. The Indians have won

13 of 17 overall and eight of nine on

Red Sox 9, Blue Jays 6 Nomar

day against Tampa Bay, increased

its major league-leading total to 94.

pitched a three-hitter for bis first

career shutout as Cleveland won at

Palmeiro added solo sbots.

acks 6, Rockies 4 Andy

Chicago win at Wrigley Field,

In the American League:

Cubs 10, Martins 2 Sammy Sosa,

Opposing pitchers cannot stop him, oversized hallparks cannot

No, perhaps the biggest obstacle blocking Mark McGwire's bid to break Roger Maris's home run record is something more personal his health.

The St. Louis slugger felt lower back spasms while batting in the first inning and was taken out of the Cardinals' 3-2 loss to the San Diego Padres on Monday night.

McGwire, who leads the major leagues with 27 borners, said be did not expect to play in the Cardinals' three-game series at Los Angeles that began Tuesday night.

"It's oothing to be concerned abont," McGwire said. "It probably won't be more than a few games." He walked off under his own

power after hitting a drihbler down the first-base line in the first inning off Sterling Hitchcock (3-0).

'I took an awkward swing and I felt a twinge.' McGwire said. 'I know my back. I'm oot going to pusb

it. I've dealt with it every year since '89. I won't miss many games.' Pirates 4, Mets 3 Jasoo Schmidt won his seventh straight decision and stopped New York's nine-game

winning streak. The visiting Mets had not lost since acquiring Mike Piazza last month. His home run in the eighth spoiled the sbutout bid by Schmidt (8-1), who is tied with Atlanta's Greg Maddux as the league's top winner.

Giunts 16, Rods 3 Jeff Kent and Charlie Hayes both matched careerbests with five RBIs and Barry Bonds scored four runs as San Francisco romped ai home.

Braves 5, Browers 2 Back at County Stadium for the first time since they left Milwaukee in 1965, the Braves won behind Maddux 18-2), who pitched a five-hitter and struck out 10. He was one out away from his 25th career shutout when

Jeromy Burnitz hit a two-run homer. Devil Rays 4, Rangers 1 Rookie Rolando Arrojo won his eighth Phillies 6, Expos 2 Gregg Jefferies homered early, then hit a tie-break-ing single in the eighth inning as host game for Tampa Bay, reaching the mark faster than any pitcher for a first-year expansion team. Philadelphia ended a three-game

> star allowed four hits, struck out a season-high nine and walked one in seven innings. Yankees 5, White Sox 4 Tim Raines scored from first on Chad

The former Cuban national team

Curtis's double with two outs in the bottom of the 10th inning. Matt Karchner (1-2) got the first two outs in the 10th before walking

Raines. Curtis followed by lining a 2-I pitch into the left-field corner that Albert Belle played off the carom as Raines was heading into third. Third-hase coach Willie Ran-

dolph waved Raines around and he was safe at home after shortstop Mike Caruso's relay throw slipped through catcher Chad Kreuter's Angels 6, Royals 3 Felix Martinez.

a rookie shortstop, misplayed Jim Edmonds's bases-loaded grounder in the ninth inning, allowing two runs to score as Anabeim won at Kansas City.
The Angels loaded the bases with

no outs against reliever Hipolito Pichardo (2-4) on singles by Gary DiSarcina and Darin Erstad and a controversial hit-by-pitcb.

Matt Whisenant replaced Pichardo and got a ground ball from Edmoods, but it rolled between Martinez's legs. Tim Salmon added an DBI single for the Appels RBI single for the Angels.
Athlotics 8, Twins 5 Matt Stairs hit

a go-ahead, two-run bomer in the sixth inning and Oakland's bullpen preserved the lead.

Stairs hit the first pitch from rook-ie Eric Milton (3-5) over the right-Garciaparra hit a tie-hreaking borner off Randy Myers in the ninth inning field fence to put the host Athletics to propel travel-weary Boston to its ahead, 5-4. They made it 6-4 in the The Red Sox did not get much rest eighth on Mike Macfarlane's homer and added two runs in the ninth on Sunday night because bad weather in New York delayed their flight to Scott Spiezio's homer and Stairs's

Why Jordan Can Defy Logic Statistics Favor Utah, but Chicago Has a Trump Card

Washington Post Service

THERE'S absolutely oo tangible reason to pick the Chicago Bulls over the Utah Jazz in the National Basketball Association finals. Not a single one.

In the last 30 years, no team has beateo another team back-to-back in the finals. Not Bird's Celtics, not Magic's Lakers. Nobody. If that alone isn't coovincing enough that Utah should be favored to win, consider that while the Bulls are probably hooked up to IVs recovering from that seven-game war with the Pacers, Utah — having swept the Lakers for the Western Conference championship — is in the midst of what will be a 10-day vacation by the time the finals begin Wednesday.

Last year, the Bulls needed home-court advantage, Brian Williams, Jason Caffey and a slightly awe-struck Utah team to win a sixgame series in which three of the games were last-second thrillers. This year, Utah has home-court advantage, the Bulls don't have Williams or Caffey to guard Karl Malone. And the Utah players, having won four of the last five games against Chicago, are just dying for another shot at the Bulls. Malone, who seems to have already worked himself into a lather, said earlier this week, "Things will be different this year. We're not in awe of the Bulls and we are confident we can beat them."

You want more? Dennis Rodman might make a lot of power forwards crazy around the NBA, hut he's scared to death of Malone, Mailman owns The Worm like Jordan owns Lenny Wilkens. The Bulls, who had problems with Indiana's reserves, now face a Utah team that utilizes 11 players every night. If you think Chicago had trouble with Indiana's Travis Best, wait until the Bulls get a load of John Stockton's hackup. Howard Eisley, who some nights plays nearly as many minutes as the great Stockton.

Ninety percent of the stuff you can point in favors the Jazz in this series, and I'm ignoring it all to pick the Bulls in seven games.

Don't ask. You know wby.

Chicago has the guy wearing No. 23. Mi-chael Jordan, Him. And it's still his time, like it once was Babe Ruth's time and Ali's time.
Logic says Utah. Jordan has defied logic all
of his career. It isn't logical that two guys —
Jordan and Scottie Pippen — can have the 10
other players run around as if they're playing musical chairs, yet the Bulls still managed to win five championships in seven seasons.

NBA Final / MICHAEL WILBON

the field and 58 percent from the foul line can't win Game 7, so see how logic can

mislead you?
You plot this thing out on paper and Utah can't lose. Malone might average 40 points a game this series. Jerry Krause, the Bulls1 general manager, got rid of the only wide-body, Caffey, who could help Rodman gird against Malone.

The Bulls have nobody who can check Malone. Greg Ostertag is now noticeably better than Luc Longley. Stockton, for my money, is tied for the greatest 6-foot player ever with Isiah Thomas. Shandoo Anderson and Bryon Russell are quicker and more ath-

letic than anybody the Pacers have.
So what's Chicago's answer for all this? Jordan. One really good thing happened in the Bulls in their melodramatic tug-o-war with Indiana: The Bulls found out they could win the most pressure-packed of games without Jordan's scoring 50.

They discovered they could win a series when Jordan misses jumpers, when he misses free throws, when he slips and falls with the game on the line. That's like discovering the basketball equivalent of the secret of the universe. They know beyond a shadow of a doubt, that as long as Jordan's out there grabbing rebounds, passing, playing defense, driving to the lane and getting fouled, they're in the ball game no matter the opponent.

Likewise, Jordan probably feels better

today about his running mates than at any point in his NBA career.

Strangely enough, the Bulls might be able to play pressure-free basketball for the first time because Utah, no matter what oddsmakers say, figures it ought to win, what with all this rest and the promise of four games at home inside Delta Center. A lot of people expect the Bulls to win, yes, but a whole lot don't, And while losing to Indiana would have been a shocking disappointment, going down to Stockton and Malone is nothing to be embarrassed about.

But now, here they are back in the NBA Finals, where oo modern-day team feels more at home, where no player has excelled like the great showman Michael Jordan, who — given his sense of thearer — is likely to make us forget with his final encore that anyone else Logic says a team that sboots 38 percent from was ever sharing the stage.

NBA FINALS ON TV

According to the National Basketball Association Entertainment, Inc. the fol-lowing countries and broadcasters will be televising the 1995 NBA Finals althor five or on tape delay. Please consult local distings for the time and day of the tele-cast. China: Television Orient Hopg Kong: ATV Indonesia: SCTV/RCTI

Armente: RTR/Stor TV
Azerbaijen: RTR/Stor TV
Azerbaijen: RTR/Stor TV
Azerbaijen: Canal+/AFRTS
Belgiont: Canal+/AFRTS
Bulgariti: BNT
Besnie ded Herbegering: OBN
Croaties HTV/AFRTS
Cypros: Lumiere TV/AFRTS
Czech Republic: Czech TV
Estania: Komal Kafs

Estocia: Kapal Kaks Finland: Chanel 4/ Capal+Gul France Cond+
Germany: DSF/AFRTS
Greece: Supersport/AFR
Hungary: DSF/AFRTS
Lockette Character (AFRT)

Iceland: Chanel Z/AFRTS
Indy: Italia 1/Tele+/AFRTS
Latvin: LTV
Liechtenstein:DSF
Luxembourg:DSF
Lithunnin: Battic TV a: AI TV Monaco: Canal +
Netherlands: Conol + Neth/NOS
Norwery: TV Norge/Canal + Gul
Polendi: TVN
Portugal: RTP/AFRTS
Rammia: Pro TV
Russia: RTR/NTV Plus
Tumanta TVSL D
TUSL D

Uhreine: ICTV United Kingdom: Chonnel / Yngoskiyda: BK Telecom

AFRICA Angoka: TPA Comercon: CRTV/Canal+ Horizons Gabon: Canal+ Horizon Nigeria: NTA Sengal: Canal+Horizon

South Africa: SABC

MIDDLE EAST

Saudi ArabiaSaudi TV, Aramco United Arab Emirates: Daubai TV ESPN International will broadco

ESPN International will broadcast the games in Bangladesh, Brunot, Burnat, Chinat, Fill, French Polymesin, Goom, Hong Kong, India, Indonesia, Iran, Iraq, Japam, Loos, Aucous, Mongolia, Mauritus, New Cadedouid, New Zeoland, North Karea, Papout, Philippines, Singapore, South Korea, Sri Lunka, Tanid, Takwar, Thailand, U.S. Samoa, Victoana, Argentina: Artem/ATC-Bahamas: BCB Belize: ESPN Ird. Brazil: Bondejrantes Columbia: Caracol TV Costa Rica: Univision Cube: AFRTS Medica: I Nicovien.
Paragra: TVN
Paragry: Chonel 13, TNT
Paetlo Rica: Teleonce/AFRTS
Trinidad and Tabago; T&r TV
Venezuala: RCTV
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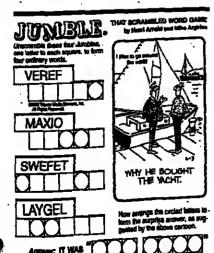
gumes im Algeria, Behin, Bolswana, Burtiana Feso, Camerosa, Central African Republic, Chad, Conya, Djibuti, Equitorial Goinea, Erittea, Ethiepia, Chana, Guinea, Guinea Bissaa, Ivery Cosst, Kenya, Less-tha, Libert, Libya, Mudaguscar, Malswi, Mali, Mauritania, Morocca, Mazzanbique,

SOUTH AMERICA AND CARIFFEAN

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HE MAKES MY CAR LOOK OCCUPIED

WHEN I'M GONE



AND YOU DIDN'T SPILL ANYTHING ATTENDANCE THAT'S WHAT IT'LL SAY ON YOUR REPORT CARD.

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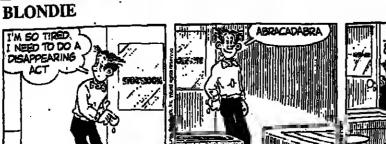
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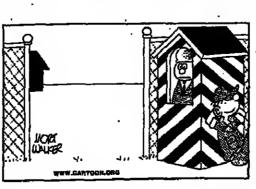
















CALVIN AND HOBBES







WIZARD of ID



SMITH ... PARTY





NON SEQUITUR









Jemies in 11 Jide Against I

By Russell Baker

NEW YORK - The babyboom generation is now looking down the gun barrel of 50 and worried about what to expect. At its request, I

The 50th birthday: You wake feeling wonderful. This is because you are still alive. 51st hirthday: You consider hair transplants or, if female, liposuction.

53d: The doctor says it's only natural for knees to creak at your age, the swine.

55th: After rising and

while facing the mirror, you think: "Oh, to be 50 again!" 56th: Have you ever felt better? You sure have. 58th: "Oh, to be 55

59th: Remember how tired and worn-out your parents looked at this age? By com-parison, you don't look a day over 35. Maybe 49.

60th: Lovely, lovely! The hig six-oh, and you don't feel a hit worse than you did when you were still in your 50s yes-

61st: It is amazing how unfaded you look hy candlelight. And the old drain brain, that is - has it ever been sharper, more alert, quicker to grasp Frankenstein's theory of relativity or coin a side-splitting catechism — solecism? — prism? — fanaticism? — Manicheanism? — what's the word feel old for the first time.

I'm looking for? 62d: Witticism. 63d: You've had better birthdays, A lovely young woman calls you "Pops." If you are female, a charming young man - great pecs and puts an arm out to save

you from stumbling into a pile of lawn fertilizer and says, Watch your step, mother.' 65th: You realize that there are worse things than being

66th: Waking, you feel ashave gone ahead to scout the tonished, and say to your wife, territory. This is what's up "When I was 21 I never expected to be a 66-year-old man." Or, if female, "I've been 21 and now I'm 66, and when I remember that at 21 I made the ohligatory youth journey to Woodstock, there's a lot to be said for being 66.

65, but you prefer not to think

68th: So you're 6g. All sorts of people have been 68. Methuselah. If anyone telephones, say you're out.

69th: You're tired of being liberal. What's more, you don't even feel liberal anymore. You must have been crazy to think that was a good time you had in that mess at Woodstock. You decide to become a right-wing nut. Al-ternatively, if tired of lifelong conservatism, you become a left-wing extremist. Any-thing to show you're still ramhunctious.

70th: You hope the children don't drop by today. They al-ways ask if your arteries, kidneys, liver and lights are failing, and whether it isn't time to surrender your car keys.

71st: You decide not to get down on your knees all day long so you can feel wonderful about not having to ask somebody to help you get up. 72d: What's this! The children's hair gray? It makes you

73d: How wonderful being old enough to see your teenage grandchildren ahuse your children the way your children used to ahuse you.

More after I scout further New York Times Service

The Long, Hard Road of a Movie Director

By Betsy Sharkey New York Times Service

OS ANGELES - There is a certain symmetry in the fact that Eric Schwab's first film as a director, "Green Fog," which he also wrote, will be made in Thailand in the fall. It was in Thailand a decade ago that Schwab, at 30, began an unusual apprenticeship with the director Brian De Palma. At that time, De Palma was filming "Casualties of War," his Vietnam morality play, with Schwab serving as second-unit director, supervising scenes that did not require the movie's primary cast members.

But it was as a boy growing up in Encino, California, in the shadow of Hollywood, that Schwab first dreamed of becoming a filmmaker, turning in short films rather than term papers in high school and later studying film in college and graduate school. As Schwab learned, however, the distance between dream and reality can be great.

In a world in which timing is everything, he found himself among the last of a generation of aspiring filmmakers who would become directors (or wouldn't) only after paying dues for years in lesser jobs on studio movies.

Just after him came a host of 20-something auteurs who discovered a faster track into the directing ranks on the strength of small, independently produced films often financed by family credit cards. Unlike Quentin Tarantino ("Pulp Fiction"), Robert Rodriguez ("Desperado") and Noah Baumbach ("Kicking and Screaming"), to name a few who have made the leap from obscurity relatively quickly, Schwab's shot is coming after years of being tested.

For those who find themselves on the

more traditional Hollywood path, getting that first shot at directing a movie is most often a tortuous journey distinguished by many valleys and few peaks. Beyond mere talent and experience, a career can be made or hroken hy the relative strengths of producers, agents and actors, and the whims of the industry as a whole.

In 1990, when Warner Brothers signed on Schwab for another movie that everyone thought would be the first he would direct, a producer friend dropped him a note that said. Congratulations, now you can have a life in hell like the rest of us.

Schwah's experience serves as a cautionary tale in how to survive and eventually prevail in a flavor-of-the-day world that will,



Eric Schwab with Brian De Palma during filming of "Carlito's Way" in 1991.

In the last seven years, five movies have come perilously close to putting Schwab in the director's chair. Three of them unraveled completely: there is still a chance that the fourth will be made, and the fifth is "Green

Despite this history of troubled endeavors, Schwab is, at the age of 40, quite successful by most standards. As a well-respected second-unit director, he is paid handsomely and is much in demand. It is a position that allows him to take off a year at a time to pursue directing projects. But filming only pieces of movies, even pieces that require budgets larger than his first film will have, no

longer satisfies him.

I want to tell the whole story," he said recently. Whether Schwab will ultimately succeed in his quest, a director whose work is seen to add to the art and craft of filmmaking, may well rest with "Green Fog," a fact of

which he is painfully aware. He is determined not to blow it. Schwab got his first joh in the motion-picture industry in the late 1970s, as a production assistant on "Golden Girl," a forgettable

brace bad bot over good cold in a heartbeat. hopeful. From the beginning, his strategy was to pepper directors, line producers, directors of cinematography and set designers with as many technical questions as they

The first artistic film that I worked on bere I could see more thought was put into this than just how to make money was 'True Confessions,' said Schwah, referring to the 1981 thriller directed by Ulu Grosbard and starring Robert De Niro and Robert Duvall. Schwah was employed as a location scout, but be managed to strike up a relationship with the director and the production designer.

"It was great because both of them liked me and involved me in the creative side of how the film was going to look," he said. After that, he would take jobs only on films

being made by people with whom he wanted to work - even if this often meant having to accept lowly positions, at lowly salaries.
For the jungle scenes in "Casualties of War." Schwab was given the choice of

shooting with a Thai crew or importing a foreign crew. He opted for the Thai crew because it was less expensive, and that meant as his agent, David Warden, contends, em- movie starring Susan Anton as an Olympic he could shoot more film and remain within do this. For me there was nothing else."

the budget he had been given. "I was able to do shots like I'd wanted to do my whole life," he said. "I experimented with different speeds and different types of

Schwab has worked with De Palma since "Body Double" in 1984, serving as second unit director for "The Bonfire of the Vanities" (1990), "Carlito's Way" (1993) and "Mission: Impossible" (1996), meeting ever-more-complex requirements along the way. De Palma believed it was time for Schwah to direct his own film after the younger man managed to secure an extraor-dinarily difficult and memorable abor for "Bonfire" that captured in a single frame the setting sun, the Empire State Building

the setting sun, the Empire State Building and a Concorde landing at Kennedy airport.

With every possible directing project that Schwab has explored in recent years, De Palma has been adviser, mentor and friend, and he will probably serve as an a read each producer on "Green Fog." He has read each the server of the scripts Schwah has considered di-recting, and they have discussed casting, pro-ducers — the entire ballet of making a film.

When I was working on one film that I

was 100 percent sure was going to be made, Brian kept telling me, don't count on it," Schwab recalled. "I said: "Why? You don't think it's a good idea?" He said: "No, it's not that. I just know from experience you can't count on any one film working out. You've got to get a couple of things going because you never can tell which one is going to click."

That is a lesson Schwah bas learned only

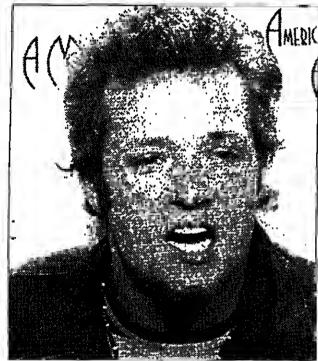
too well. After the Concorde shot in "Bonfire." agents and movie executives suddenly wanted a piece of his life. He was taken on by an agent, and several projects burst into possibility. But they disappeared in the haze. Then came the search for a new agent, another false start and, finally, the lurch into Green Fog."

Among the many ideas about movie mak-

ing that De Palma has imparted to Schwab, the notion of a film's immortality is the central pillar. Simply put, don't do something that you're not proud of and, by extension, that doesn't push filmmaking forward.

"Some people get into film now for the big-killer salaries," Schwab said. "When I went into film, you went in in spite of everything else. You went against the wishes of your parents, against the wishes of your friends. I did it because I had a love of film and I had to

PEOPLE



Scott Weiland was charged with possession of heroin.

a man who claimed to be the son of King Louis XVI of France have revealed him as an impostor, according to a study released Tuesday. Karl Wilhelm Naundorff, who died in the Dutch town of Delft in 1845, was the most important of the tour on hold. many claimants who came forward in the early 19th century arguing they were Crown Prince Charles Louis, the son of Louis XVI and Marie-Antolnette. Two years after Louis and Marie-Antoinette were guillotined in 1793 during the French Revolution, Charles Louis died of tuberculosis in the capital's Temple prison at the age of eight. But stories persisted that the young prince had been spirited away from his cell. Scientists at the Catholie University in Leuven, Belgium, in a study published in the European Journal of Human Genetics, said the results of extensive DNA tests "strongly favor the theory He is to take over in September, becoming the sixth director in that Naundorff is not Louis XVII." The DNA testing was conducted on hair and bone samples of Naundorff and on hair samples from two sisters of Marie-Antoinette. Naundorff's Kevin Consey, who resigned in November. tomh in Delft. Netherlands, bears the inscription: "Here lies Louis XVII. Duke of Normandy, King of France and Nav-

Scott Weiland, lead singer of the Stone Temple Pilots, was arrested as he left a housing project in New York City with that night's show at the Irving Plaza club was canceled. The offered no further details.

NA tests conducted more than 150 years after the death of singer was arrested in May 1995 in California, when police officers found cocaine in his car and heroin in his wallet. In April 1996, a judge ordered him to spend four to six months at

> The Museum of Contemporary Art in Chicago has chosen Robert Fitzpatrick, dean of the School of Arts at Columbia University since 1995, as its new director. Fitzpatrick. 58, oversaw the creation of EuroDisney and was president of the California Institute of the Arts from 1975 to 1987 and the director of the 1984 Olympic Arts Festival in Los Angeles. which attracted more than a million visitors in its 10-week run. 31 years at the museum, which moved into a new 151,000-

Iran plans to put the complete works of the late spiritual leader Ayalollah Ruhollah Khomeini on the Internet, an official announced. Hamid Ansari, head of the institute that is publishing Khomeini's writings, said 210 works in Persian and 107 texts translated into 16 languages would be made about \$100 worth of heroin, the police said. Weiland, 30, was available on the web, the Iranian news agency IRNA reported. charged with trespassing and drug possession Monday and Ansari did not say when the Internet service would start and

The Spice Girls have gone into hiding at Elton John ? mansion on the French Riviera following the departure of Geri Halliwell, a.k.a. Ginger Spice, the Sun tabloid reported Tuesday. The remaining four Spices are scheduled to proceed: with a tour of 40 cities in North America in two weeks without Halliwell, but many in the music world wonder whether the group will survive her defection.

Three world premieres, four U.S. premieres and international feature and documentary competitions are all part of the inaugural Newport International Film Festival, opening a six-day run in Newport. Rhode Island. Consisting of 75 screenings in all, the event began Tuesday with an attraction fresh from the Cannes International Film Festival: "The 31 years at the museum, which moved into a new 151,000- Mighty," starting Sharon Stone, Gillian Anderson and square-foot huilding two years ago. Fitzpatrick succeeds Gena Rowlands.

When Time magazine put together its list of the 20 most influential artists and entertainers of the century, they picked Elvis Presley over Frank Sinatra. Then the "60 Minutes" reporter Mike Wallace stepped in on behalf of Ol' Blue Eyes. calling up to lobby Walter Isaacson. Time's managing editor, Wallace was working with Isaacson on a special show for CBS about the list. After Wallace's haranguing, Time switched to Sinatra, succumbing to the argument that the crooner had a greater influence on personal style.



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